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# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND JUNE 12/JUNE 13 1993

DE523A

## MoD company built missile-test complex for Iraq

A defence company owned by the UK government built an Iraqi complex for testing missiles after ministers justified the contract during the Iran-Iraq war, the Scott arms-for-Iraq inquiry heard. Classified documents read to the inquiry showed that ministers approved the contract, involving International Military Services, despite warnings from the Foreign Office that the complex had a potentially lethal military use. Page 9

**US inflation eases:** Fears of a rise in short-term US interest rates eased after the Labour Department said the producer price index was unchanged last month and the annual rate of wholesale price inflation dropped to 2 per cent from 2.4 per cent in April. Page 26; Lex, Page 26

### PM defends Japan's trading role

Japanese prime minister Kiichi Miyazawa rejected any further boost for the Japanese economy and defended his country's role in the global trading system. He cited International Monetary Fund figures to show that Japan imported as much per head as the US or the EC. Page 4

**ICL, Japanese-owned UK computer company,** is being investigated by the Ministry of Defence for suspected irregularities involving two contracts totalling £1m. Page 26

**English China Clay,** world's biggest producer of china clay, announced a £113.8m (£174.6m) rights issue, a \$307.5m US acquisition and the buying-off of its building materials business. Page 12; Lex, Page 26

**Leyland Daf buy-out:** Agreement was reached for a management buy-out of the Leyland Daf truck assembly plant in the north of England, which has a workforce of 700. Page 6

**Iranians vote:** Iranians voted in presidential elections with President Akbar Hashemi Rafsanjani widely expected to sweep back to power. Page 3

**Nigeria election pledges:** Nigeria's electoral commission insisted that today's presidential election would go ahead despite a court ruling that it should be postponed pending the hearing of a suit filed by a group seeking extended military rule. Page 8

**Juveniles face publicity:** British newspapers and other media are to be allowed to identify escaped juveniles accused of serious offences, home secretary Michael Howard announced after several newspapers named an 18-year-old murder suspect who absconded from a hostel.

**Blandford released:** A UK High Court judge ordered the release of the Marquess of Blandford, who had served three days of a 112-day sentence for maintenance arrears. Mr Justice Johnson said he had acted in excess of his powers in imposing the sentence.

**Sterling hit:** Sterling fell by more than 2 pence against the D-Mark yesterday to close at DM2.475 in London after a newspaper claim that a member of the UK government was to be named in a scandal. Currencies, Page 15

### Market pins hopes on base rates cut

**FT-SE 100**  
This week has seen a recovery of 31.9 points in the FT-SE 100 index, fuelled largely by hopes that Chancellor Kenneth Clarke will sanction a cut in base rates in a speech to businessmen in London on Tuesday. The index closed last night at 2,861.8, up 1.8 on the day after moderate trading. London Stock Exchange, Page 17; Lex, Page 26

**Chief price changes:** The table of chief price changes for UK stocks can be found on the London stock market page, where it will appear in future Saturday editions of the FT. Reports on the world stock markets highlight yesterday's most significant individual share price movements. London stocks, Page 17; World stocks, Page 23

STOCK MARKET INDICES		STERLING	
FT-SE 100	2861.8 (+1.8)	New York lunchtime	\$ 1.52455
Yield	4.03	London:	
FT-SE 100	1181.85 (+0.40)	1.5225	(1.5195)
FT-SE 100	1414.77 (+0.07)	DM	2.475 (2.4625)
Nikkei	20,500.05 (+7.03)	FFr	5.8225 (5.823)
New York lunchtime		Sfr	2.21 (2.23)
Bank Jones Ind Ave	3482.75 (+0.03)	Y	161.75 (161.5)
S&P Composite	448.50 (+1.12)	Z Index	79.3 (same)
US LUNGTIME RATES		DOLLAR	
Federal Funds	2.75%	New York lunchtime	
3-mo Treas Bill: Yld	3.116%	DM	1.82345
Long Bond	10.95%	FFr	5.805
Yield	8.875%	Sfr	1.4885
LONDON MONEY		Y	165.975
3-mo Interbank	5.15%	London:	
Life long gilt rate	Jan 106.11 (same)	DM	1.8225 (1.834)
		FFr	5.855 (5.855)
NORTH SEA OIL (Argus)		Sfr	1.4485 (1.458)
Start 15-day (July)	\$17.725 (18.21)	Y	105.05 (105.2)
Gold		\$ Index	83.8 (84)
New York Cramer (Aug)	\$377.5 (371.8)		
London	\$371.15 (369.25)	Tokyo close	Y 108.22

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## Worst figures since 1990 prompt fears of sharply worsening position Trade gap widens to £4.5bn

By Emma Tucker,  
Economics Staff

THE FIRST complete set of UK trade figures since the beginning of the year yesterday revealed the biggest quarterly trade gap since 1990 and prompted fears that recession in continental Europe, combined with domestic recovery, would bring about a sharp deterioration in Britain's trade position.

The provisional figures showed that the visible trade gap widened to £4.5bn in the first quarter, compared with £4.35bn in the final quarter of 1992. The underlying deficit - which excludes oil

and erratic items - was also the biggest shortfall for three years at £5.2bn, compared with £4.8bn in the previous quarter.

The deficit on trade with other countries in the European Community, however, was not as large as expected. New figures compiled under Intrastat - a system for measuring EC trade flows in line with the single market - showed a deficit of £1.1bn in the first three months of the year, slightly lower than the £1.2bn of the previous three-month period.

In spite of the competitive edge given to British-made goods by sterling's devaluation last autumn, the growth of export volumes slowed considerably,

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reflecting the recession in other EC countries. The Central Statistical Office said underlying export volumes rose by only 0.5 per cent quarter-on-quarter, while import volumes rose by 3 per cent. The CSO said the trade figures were more than usually likely to be revised, since Intrastat was taking some months to settle down. Economists said the overall

deterioration in the trade deficit was limited by a sharp jump in the prices of exports, compared with a more modest rise for import prices. Export prices rose by 6 per cent quarter-on-quarter, against import price rises of 4 per cent.

Mr Robert Lind of the Swiss bank UBS said: "The numbers are consistent with the view that the deficit will deteriorate as recovery gathers pace. They also cast doubt over the Treasury's optimistic view of net-trade volumes this year."

The value of total exports in the first quarter was a provisional £29.6bn, 7 per cent higher than in the previous quarter.

Import values totalled £24.1bn, also 7 per cent up on the previous three month period.

The Treasury pointed out that in spite of the slowdown in export volume growth, exports nevertheless reached record levels in the first quarter. It said: "UK businesses now have a great opportunity in markets both at home and abroad." Mr Robin Cook, Labour's trade and industry spokesman, said the figures revealed "just how sickly" the economy was. "What is most worrying is that with the single market only three months old, our deficit with the EC was twice as bad as it was for the same period last year," he said.



A British UN soldier examines the body of the driver of a truck which was part of a Moslem aid convoy. The driver was killed by Bosnian Croats at Vitez yesterday after refusing to let his truck be derailed, along with others, from the main part of the convoy. Report, Page 26; Patching a tattered policy, Page 3

## Governor of Bank to leave with a peerage Pratt and Whitney joins GE to develop smaller jet engines

By Alison Smith

MR Robin Leigh-Pemberton, outgoing governor of the Bank of England, is one of four life peers created in today's Queen's Birthday Honours list. Another is Sir Ralf Dahrendorf, the academic and writer.

Mr Samuel Brittan, the Financial Times's principal economic commentator and an assistant editor, receives a knighthood for services to journalism. Mr David Buchan, head of the FT's Paris bureau, receives an OBE for services to journalism.

Today's list reflects a further stage of Mr John Major's incremental reform of the honours system to give greater recognition to voluntary and community service. It includes honours for those involved in humanitarian relief work in the former Yugoslavia.

Lieutenant Colonel Bob Stewart, who commanded British troops in Bosnia, was awarded a Distinguished Service Order. The greater emphasis on the wider contribution to the community was highlighted in some of the awards to those in business and commerce, as well as those for charitable services.

Among those receiving knight-hoods were Mr Robin Biggam, chairman of BICC, the cable and construction group; Mr Ronald Miller, chairman of Dawson International, the textile group and Mr Jim Birrell, chief

Continued on Page 26  
Details, Page 13

By Paul Betts, Aerospace  
Correspondent, in Paris

THE TWO leading US aero-engine manufacturers, General Electric and Pratt and Whitney, are joining forces for the first time to challenge Rolls-Royce of the UK in the market for smaller jet engines to power regional and business jets.

GE and Pratt and Whitney announced yesterday at the Paris Air Show that they had agreed to work jointly with MTU, the German aero-engine company owned by Deutsche Aerospace, and Snecma, the French state-owned aero-engine group.

The four companies will develop a family of engines with a thrust range from 12,000lbs to 20,000lbs to compete against the joint engine company formed two years ago by Rolls-Royce and BMW, the German car group.

The two US companies, which have both restructured in the last 12 months and are the main competitors of Rolls-Royce, have traditionally competed fiercely in the commercial and military engine markets.

The move reflects a growing trend towards partnerships in the hard-pressed aerospace industry and follows Boeing's decision to co-operate in joint studies with the partners in the European Airbus consortium on development of a super jumbo aircraft capable of carrying 600 to 800 passengers.

By teaming with the two European companies, the US manufacturers hope to reduce the lead Rolls-Royce and BMW have taken

in the development of smaller jet engines. BMW-Rolls Royce has already won orders for its new BR700 engine from Gulfstream and the Canadian Bombardier group. The engine is expected to enter service in 1995.

GE had been studying the development of a smaller jet engine with Snecma, the CPM98, based on the military engine Snecma has developed for the French Rafale fighter aircraft. GE and Snecma have a long and successful history of co-operation in commercial jet engines.

Pratt and Whitney, a subsidiary of United Technologies, already has a wide-ranging alliance with MTU, with which it has been studying joint development of a similar power plant, the RTF180.

However, the market lead held by BMW and Rolls-Royce prompted the companies to combine forces. As well as competing to power new regional jet and business aircraft, they see sales potential for engines to power a new European military transport aircraft.

"There was clearly no room for three competing engine programmes in this market - that's why the four companies decided to team up," said Mr Georges Sangis, Snecma's head of commercial engine programmes. He said the cost of developing the new engine family would total about \$700m (£450m).

BMW and Rolls-Royce originally sought to attract MTU and Snecma into an all-European engine partnership.

## Stop squabbles, Major tells warring Tories

By Ralph Atkins in Livingston  
and Philip Stephens and  
Alison Smith in London

MR JOHN MAJOR yesterday ended a tumultuous week for the government by urging Conservatives to stop squabbling and to rebuild British voters' trust with a message based on ordinary people's aspirations - particularly on jobs.

As the Tory hierarchy tried, with partial success, to restore calm after Mr Norman Lamont's bitter resignation speech, the prime minister marked a further shift away from Thatcherism.

He told the Welsh Conservative party conference that Tories should "put aside the great designs and philosophies" and listen to the hopes of ordinary people "living in three-bedroom semi-detached houses". In the 1980s, he said, "we were just a touch too laissez-faire".

Mr Major buttressed his proclaimed commitment to enduring Tory party values - and to rebuild the former chancellor's complaints about short-termism - by stressing the importance of sound money and low inflation and hinting that he is keen to avoid tax rises.

Leaked papers propose £5bn social security cuts.....Page 9  
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Britain, Mr Major said, would not become a high-tech, high investment economy "if we pile on taxes and pile on social costs." Public spending had to be cut, but some radical proposals would be discarded as unfair, he predicted.

Mr Kenneth Clarke, the chancellor, will next week reinforce the emphasis on public spending restraint by telling the cabinet that there can be no question of breaching the ceilings set for the next two years.

Despite bids running several billions of pounds above the figures agreed last autumn, Mr Clarke will seek a remit from the cabinet to seek a settlement this summer below the £253.5bn and £263.3bn cash ceilings for 1994-95 and 1995-96.

The political difficulties of achieving such a result were under-

Continued on Page 26

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# Weekend FT

SECTION II

Weekend June 12/June 13 1993

## The tale of the Red Fat Cat



Mr Zhao and his hair tonic factory... a story with an Alice-in-Wonderland quality typical of a country where fact and fantasy often are inter-twined. It took him six years to find the magic formula - but profits this year should exceed \$4.5m

**B**EIJING: We are driving across the city's vast, central Tiananmen square in Mr Zhao's Mercedes 280 SEL, with tinted windows and car telephone. Known widely throughout China as the "hair lotion king," he is in an expansive mood. "Call your friends anywhere in the world... call your mother, call your wife," he says, offering me the phone. I call my wife at home in Beijing to tell her I will be late for an appointment.

The ebullient Mr Zhao is reminiscing now as we pass on the right the Gate of Heavenly Peace, with its statue of Mao, and on the left the Great Hall of the People, seat of China's parliament. Mr Zhao was elevated to parliament recently for his money-making abilities. "Getting selected for parliament only ever appeared in my dreams from time to time," he says, reflectively. "You know what they call me now? The Red Fat Cat."

Mr Zhao is perhaps the best-known member of China's newest class of entrepreneur or *ge ti hu*. He has certainly become one of the richest since he began producing and marketing a hair-growth tonic that, he insists, has achieved spectacular results.

Not so long ago, Mr Zhao's entrepreneurial activities would have been scorned and his material success held as a black mark against him. Indeed, the word *ge ti hu* was not even in common use before paramount leader Deng Xiaoping began, late in the 1970s, to prise open China to the outside world and declared that "to get rich is glorious."

Since those first faltering steps towards a market economy with Chinese characteristics, millions like Mr Zhao have taken the entrepreneurial, if not capitalist, road. According to China's taxation bureau, 15.3m private businesses had sprouted by the end of 1992 and the total is expected to reach 30m by the year 2000.

Mr Zhao comes from a remote part of China that has itself become a symbol of rampant commercialism. It is in places like the small, damp, coastal city of Wenzhou, 300 kilometres south of Shanghai, that the quite awesome, almost manic, energies being applied to making money and getting ahead are seen best.

Wenzhou had no airport until recently and there is no railway, although one is being built. Roads are rutted and, in spite of a rash of new buildings, the place appears dilapidated: yet Wenzhou, population 1m, has far outstripped most of the nation in per capita income and other indices of improved living

standards. Local attitudes are Wenzhou's remarkably progressive to the innate liveliness of its dwellers - and to hard-up As Cai Yanlong, head of the local economic commission, noted: "We have been forced to be like this. In the past, Wenzhou was very poor. To improve living standards, we had to do whatever was necessary. Doing whatever was necessary may well have involved bending official rules. Wenzhou, for instance, established its own 'trust' banks - rather like the society co-operatives long before the authorities allowed much flexibility at all in the banking area."

Mr Zhao, a sprightly individual with a thick brush of dark hair, is a perfect example of a Wenzhou rags-to-riches story. Born in 1943 to a poor family that farmed medicinal herbs, he was destined to spend his life as a lowly-paid accountant in a production brigade. But that was

20 herbal ingredients, some gathered as far afield as Tibet and Mongolia, which work by warming the scalp and improving blood circulation.

Mr Zhao, whose hobbies include playing the lute and reading books on China's 5,000-year-old tradition of herbal cures, claims also to have developed an elixir that removes greyness from hair. Many Chinese, including members of the ageing leadership, will do almost anything to avoid going grey - to the extent of using unsightly dyes that produce an effect like boot black. If Mr Zhao has produced an oral medicine that makes hair dyes redundant, he should be onto another winner.

Mr Zhao is perplexed by apparent western resistance to herbal cures. "Outsiders don't understand Chinese medicine," he says. "People who understand appreciate it. Western medicine is based on analysis

and white-coated female attendants are clearing up for the day, but one "patient" remains to be seen. For a balding worker visiting Beijing from a provincial town, this is his lucky day. Mr Fan is about to be treated by the master.

Mr Zhao dons a white coat and begins massaging his Formula 101 into Mr Fan's scalp. A treatment costs about \$9 - equivalent to a week's wages for the average worker - but Mr Fan says this is a small price to pay. "I've been going bald for seven years and look older than I am," he says. "I heard that 101 was magical. Everybody's talking about beauty now beautifying life. People are paying more attention to appearance."

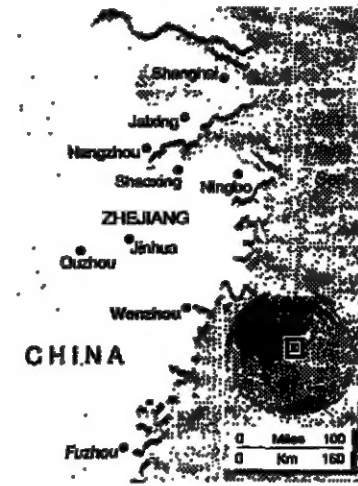
Mr Zhao, who employs 1,200 people at factories and clinics throughout China, exhibits no reserve about his good fortune although he is careful to credit China's communist leadership, past and present, with creating conditions for people like him to prosper. He reveals, for example, that long ago he re-purchased the old family house in Wenzhou. And he announces, proudly, that he has built a 1,000 square metre mansion near his home town for his retirement. He keeps a penthouse flat in Beijing in one of the city's more exclusive addresses, and is planning to buy a newer Mercedes. "This car's quite old," he says, apologetically.

■ ■ ■  
If Mr Zhao's story is remarkable, so also is the story of Qiaotou, a small town about an hour's drive inland from Wenzhou. There, entrepreneur traders and manufacturers have virtually cornered China's button market, and also are producing a fairly big percentage of the country's metal watch bands.

Tang Runong, a local party official, describes Qiaotou (population 60,000) as the "paradigm of a socialist market economy" with annual revenues of around \$35m. The per capita income works out at around four times the national average, although the many stern signs around the town warning against tax evasion suggest that material success has not made people any more willing to share their spoils with the state. "You won't find this small town on the map of China, but everybody has heard about us," he says, with satisfaction. Before the open-door policy, the town had one small inn and one restaurant; now, it boasts 60 restaurants and 60 hotels.

Just how Qiaotou achieved its great leap to prosperity is the stuff of legend. According to local lore, some impoverished peasant farmers were visiting Nanjing, on the

■ Continued on page VIII



*He has amassed a fortune from hair growth lotion. Another man has cornered the action in watch straps. Both are typical of modern China's flourishing breed of entrepreneurs, says Tony Walker*

and work in laboratories. Chinese medicine depends on practice and experimentation."

Some may describe Mr Zhao as a "quack" - a term that seems genuinely to hurt him. But he certainly is laughing all the way to the bank. He expects to produce about 3m containers of Formula 101 this year, 40 per cent of which will be exported. Profits should exceed \$4.5m.

Joint ventures with foreign businessmen are in the wind, and the American Food and Drug Administration is evaluating his product. FDA approval would add enormous value to Formula 101, which is being imported into the US as a cosmetic, not a drug. Not had for someone who might have spent his life copying figures into a dusty ledger.

Mr Zhao's chauffeur-driven Mercedes pulls up outside an arched shop front on Beijing's busy Xidan street, one of its main shopping thoroughfares. It is one of his clinics

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The floral flock is back this summer, with a very '90s look

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### The Long View / Barry Riley

## Evidence of duplicity



SO NOW we know for sure what we have long suspected. Norman Lamont, while chancellor of the exchequer, was pursuing a policy of pegging sterling within the European exchange rate mechanism despite grave personal misgivings about what was one of his predecessor John Major's leftover policies.

While telling the country there was not a scintilla of doubt about the government's commitment, he was privately urging the prime minister to suspend membership. He was also, like Nigel Lawson before him, secretly recommending that the Bank of England should be given independent responsibility for setting interest rates.

Where does all this evidence of duplicity and strategic disagreement leave the British government's credibility? There is, for instance, a commitment to hold inflation below 4 per cent, and a pledge to cut back the public sector borrowing requirement from its current year level of £50bn. It is not entirely clear whether these promises left over from his predecessor are worth the paper that Kenneth Clarke has not yet written them on. This week Clarke was breezily discussing the choice between raising taxation and cutting public spending (he will do neither, apparently) but the most important question is whether he will opt for the unspoken third option, to inflate his way out of trouble.

Yet, politicians must not be valued at

their own estimate of their decision-taking ability. The reassuring thought for those who rely on the British government's readiness to honour its debts in real terms is that, in a world of freely exchangeable currencies, the scope for deviant policies is limited. The decision in 1990 to enter the ERM at the wrong rate, for instance, could not be sustained for long. A dash for inflationary growth would, similarly, lead to a market breakdown quite quickly.

But what one government cannot do on its own, a number of countries might achieve collectively. This thought might be behind the recent nervous flutter in the gold bullion market and the surge of strength in the one leading currency - the Japanese yen - which is not burdened by the structural deficits which plague the dollar, the D-mark and the pound sterling, among others. The yen has appreciated by 54 per cent against sterling since last August.

**J**ust as the ERM proved a disappointment as a pre-packaged answer to the UK's economic problems, it is pretty certain that central bank independence would be a blind alley, too. The idea is that the central bank would cancel out the feeble tendency of vote-catching politicians to inflate rather than to tax. Unfortunately, the division of responsibility can also lead to a protracted domestic economic war in which fiscal laxity is offset by excessive monetary tightness. This became apparent in the US early in the 1980s, leading to a large over-valuation of the dollar. The same problem has afflicted Germany.

It could easily happen in the UK, too, should the economic recovery pick up speed. It would be nice to think that British chancellors banker after an independent Bank of England because they believe such an institution would improve economic governance in the UK. More likely, they see a chance to offload the blame for interest rate rises on somebody else. The idea seems to appeal more to chancellors than to prime ministers, who would bear over-

all responsibility for a policy mess.

The clash between bankers and spenders leads to high real interest rates, which cancel out the stimulus which budget deficits might otherwise provide. Meanwhile, finance ministries in many countries, especially the US and the UK, are badly missing that important lubricant, inflation. The largely unanticipated fall in inflation means that tax revenues are coming in under budget, aggravating the deficit problems. In depressed conditions, short-term interest rates can come down (except, so far, in Germany) but long-term rates cannot, because such a vast volume of debt has to be sold.

If the combination of debt deflation in the US and elsewhere and post-unification disruption in Germany continue to inhibit global economic recovery, it seems likely that a sharp fall in real interest rates must ensue, as part of the resolution of the crisis. How large a part inflation might play in that is, for investors at least, the crucial question. The first part of the political response is already becoming evident, as governments shrink from financing themselves with long-term debt. The US, for instance, has reduced the frequency of its 30-year bond auctions. There will be an increasing resort to short-term finance through the banking system. This will not prove to be inflationary so long as private sector credit demand remains depressed, but this tempting solution contains the seeds of trouble.

It is not a path the British government would be able to pursue on its own, but it will follow eagerly in the footsteps of the Americans. The Germans, meanwhile, will go their own way if they can, as they did in the inflationary 1970s when the D-mark appreciated by 114 per cent against the dollar and 130 per cent against sterling; but as the German economy spirals downwards, the pressure on the Bundesbank may become intolerable.

As Norman Lamont said ruefully this week, both the post-war Tory chancellors to have brought inflation below 2 per cent have been sacked. Clarke is unlikely to make the same mistake.

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## MARKETS

## London

## Paying a high price for poor earnings

By Peter Martin, financial editor

I am delighted to hear from the Prime Minister that policy will not alter. (Kenneth Clarke) will understand if I say that he thus comes to the Treasury at a most favourable time. Much of the hard work has been done and he should be able to enjoy increasingly encouraging trends for a long time to come.

Norman Lamont  
House of Commons

INVESTORS are hoping for Norman Lamont's farewell prediction to come true with as much fervour as they once clung to his promise of recovery ahead. Few disagree with his judgment that "the recession is now behind us", the flustering hopes attach to his forecast of "increasingly encouraging trends".

If trends do not continue to improve, the current level of the stock market is hard to justify. A rash of brokers' circulars this Friday pointed out that the price/earnings ratio for the FT-100 '500' (the industrial and commercial

components of the All-Share Index) had risen to more than 19, above the level touched before the 1987 crash.

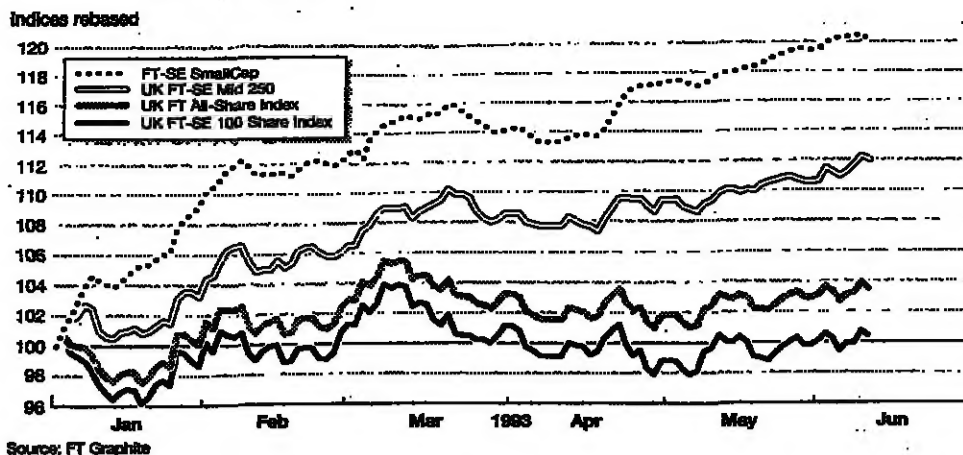
This rise is not due to any sudden spurt in the overall level of share prices - as the chart shows, the market as a whole, heavily influenced by the biggest companies, continues to move sideways. Rather, it is due to the impact on the "earnings" side of the p/e ratio of so many poor results over the past few months.

The market tended to treat them platonically because those results were not much worse than had been expected, and because they could be seen as exaggerated by the FRSS accounting standard.

But by absolute standards, they were very poor: S G Warburg's figures show reported earnings running nearly 12 per cent below the already depressed level of a year ago.

Historic figures, of course, are just that history. A more relevant number is the prospective p/e ratio. Here, there has not yet been any great

## Four Indices compared



drift upwards. The prospective figure for the calendar year 1993, calculated by the IBES service in New York based on the consensus earnings expectations of analysts around the world who follow London stocks, is 14.4.

That figure has remained almost unchanged since the FT first began reporting it every Monday earlier this year. Still, it is only a comfortable multiple if the profits growth that analysts expect indeed materialises; and if profits continue to grow in later years.

Neither of those is a racing certainty. In the short run, reported earnings could continue to deteriorate. Even when they bounce back, there may not be as much resilience in the bounce as the market - and Norman Lamont - would like to think.

One ominous sign was the results of Pilkington,

announced on Thursday. Pre-tax profits for the financial year just ended were down from \$96m to \$41m, on sales more or less unchanged at \$2.6bn. The dividend - cut a year ago for the first time since the company went public in 1970 - was cut again, by a third. There had been some encouraging signs, said Sir Antony Pilkington the group's chairman, especially the "amazing" impact of starting the devaluation on UK competitiveness. But there was also "a dramatic collapse" in the German market, where the situation remains uncertain.

Pilkington is, perhaps, unusually unfortunate: its shareholders could be forgiven for wondering how they seem to have missed out on the German boom while catching the full force of the recession. Since BT's abortive bid for the company in 1987, Pilkington has underperformed the All-Share by 61 per cent.

But its woes are not all *sui generis*. Other British companies which struggled to raise their exposure to continental Europe during the single market euphoria are also suffering the consequences.

The market's worries about European growth are one important influence on the truly remarkable divergence of the lines shown in the chart. The big companies in the FT-SE 100 have gone nowhere for weeks, while the smaller companies in the Mid 250 and SmallCap - which derive a much greater proportion of their sales and profits from the UK domestic economy - have continued to race ahead.

The continued flow of rights issues from medium-sized companies has done little to dent

this sentiment. On Thursday, for example, Wimpey announced a one-for-four issue at a discount of 21 per cent, to raise £104m. The company said it would be using the proceeds to buy land for housebuilding - the sort of statement that would have sent shareholders stampeding for the exit only nine months ago. This year, encouraged by the near tripling of the share price since September, investors were prepared to view the prospect with equanimity: the share price slipped only 3p on the day of the announcement, to 184p, it closed on Friday at 179p, a fall of 1p on the week.

Also backing in shareholder approval this week were the three companies that once formed part of Sir Ernest Harrison's empire: Racal, Vodafone and Chubb. All reported strong earnings, allowing Sir Ernest to wrong-foot the critics who jeered at his promise to enrich shareholders by splitting up the company: the components of the old Racal have collectively outperformed the market by nearly 300 per cent since 1983.

Politics is harsher than business: Norman Lamont did not survive in office long enough to enjoy day-to-day dealings. For example, Fidelity's cash unit trust gives a chequebook to those with more than £5,000, but cheques must be for a minimum of £250. So one strategy could be to pay for as much as possible by credit card, and then pay off the bill each month with a cheque out of a high interest account.

Charging tends to be a subject on which some people feel a sense of moral outrage, perhaps because of the perception

## Serious Money

## The brighter side of bank charges

By Philip Coggan, personal finance editor

IT NOW looks inevitable that banks will reintroduce charges for those customers who are in credit. Abbey National said this week that the move was likely within a few months.

The banks have been nervously following a "you first" approach to the issue. Rather like the process of pre-Budget speculation about tax increases, the hope may be that repeated airing of the prospect of change may diminish the protests when change actually occurs.

The industry seems to be edging towards a flat monthly fee plus additional charges for items such as stopped cheques. Chances are that the market will fragment, with some groups offering "free" banking to those who agree to keep high minimum balances.

Given the current low levels of interest rates, it may be worth keeping a high float to avoid the charges. If rates were to go back above 10 per cent, then it would be a tricky calculation as to whether the interest foregone on the float (if the same sum were kept in a savings account) outweighed the charges.

Every week, our highest rates for your money table, produced by Moneyfacts, gives details of high interest cheque accounts. The Chelsea Building Society, for example, pays 6.1 per cent on those willing to keep a minimum of £2,500 in their accounts.

Some of these accounts cannot be used for day-to-day dealings. For example, Fidelity's cash unit trust gives a chequebook to those with more than £5,000, but cheques must be for a minimum of £250. So one strategy could be to pay for as much as possible by credit card, and then pay off the bill each month with a cheque out of a high interest account.

Charging tends to be a subject on which some people feel a sense of moral outrage, perhaps because of the perception

that banks are making their customers pay for their mistakes in other areas such as property lending. But banks, like any other business, will charge what they can get away with in the market.

The only solution for aggrieved bank account holders is to be as adept at shopping around as building society depositors. When Save & Invest introduced a monthly charge on balances below £1,000, it found that 5,000 of the 6,000 customers affected closed their accounts.

Admittedly, it is more of a hassle switching bank accounts than it is moving your savings, given all those direct debits which have to be changed.

The best deals are likely to come from those institutions with the lowest costs, ie those which have not invested vast amounts of capital in a branch network. Inevitably there will be some depositors who find they need the convenience of their branch and who decide, however reluctantly, to put up with the charges.

For the rest, it may be time to recognise that there is no need to have an account with one of the big high street names. Other institutions may have a service which suits your needs better, or perhaps, as with First Direct, you may simply need to move to a different part of the same institution. There are dangers in moving to a less well-known institution - remember BCCI.

But bank charges may be the alarm call which investors need to alert them to the services they have been missing.

■■■

Investment trust groups are exploiting the sector's recently revived popularity to raise new funds. Three particular areas of investment have been attracting money: smaller companies, emerging markets and Japan.

Smaller companies, are thought to be due for a revival after suffering from the recession; emerging markets, it is argued, have greater prospects for economic and corporate profit growth; and Japan has rebounded sharply from the lows it reached last year.

In the small company field, there are issues from CVM Asset Management (a vehicle for Peter Webb, who used to run Thornton's smaller companies unit trust) and a second indexed fund from Hoare Govett. In emerging markets, following a spate of offers from existing trusts earlier in the year, John Govett is launching a fund. And both Dimefin and Perpetual are floating Japanese trusts.

There is a natural temptation for small investors to opt to buy shares in new trust issues. Perhaps this is because it is easier to pick one new trust than to choose from hundreds of existing funds. And it may be that managers do better if they start with a clean slate.

But there are drawbacks to new issue investment. The costs involved in a new issue often eat up 3 to 4 per cent of the launch capital, so that the investor is nearly always buying shares at a premium. Given that it is possible to buy shares in an existing trust, which have a published performance record, at a discount, a new issue is automatically "expensive".

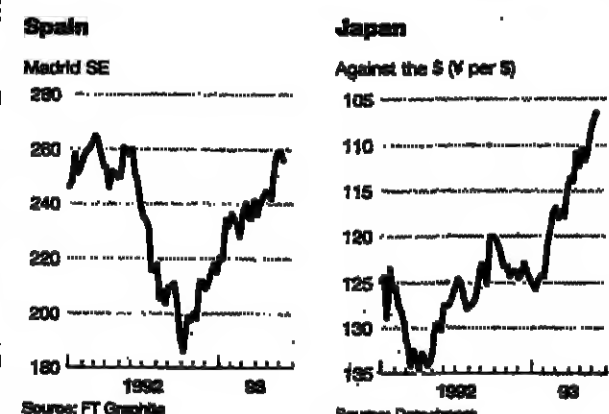
One strategy might be to wait for the trust to launch and fall to a discount before buying. Of course, if every investor used this tactic, no new trusts would be created.

Most trusts launch new issue devices to try to get round the discount problem - warrants, a limited life or a split capital structure. Nevertheless, if you really want to invest in a particular area, it may be worth seeing if there are well-established trusts available at a discount before taking the plunge.

## HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	2861.8	+31.9	2957.3	2737.8	Interest rate hopes revive
FT-SE Mid 250 Index	3202.9	+27.8	3213.4	2876.3	Demand for second-line stocks
Ameriham Int'l	785	+48	783	613	Profits up 27%/dividend up 8%
British Aerospace	410	+40	428	165	Orders/return to FT-SE 100
GEC	337 1/2	+18 1/2	326	264	Proliferation due June 30
GLS A	1863	+55	1728	1563	Confidence over property interests
Jays	304	-135	500	304	Profits warning
MB-Caradon	274	-24	343	268	Brokers' downgrades
Marsfield Brewery	810	+35	810	655	Good results
Pilkington	128	-6	137	97 1/2	Dividend cut/European recession
PowerGen	378 1/2	+24	380	273	Prospect of above average div growth
Powercorren	334	+15	378	305	Good results
Rails-Royce	152 1/2	+12 1/2	153	99	Orders/British Aerospace sentiment
Shell Transport	620	+17	630	515	Strains "buy" note
Wellcome	718	-42	893	658	Criticism of Retrovir drug

## AT A GLANCE



## Yen continues sharp rise

The yen continued to rise sharply against the dollar this week defying repeated intervention from the Federal Reserve. It reached a high of ¥105.85 against the dollar to fall back a little by the end of the week. Underpinning the yen's strength has been a US Treasury Department report in May stating that a higher yen could help reverse Japan's huge trade surplus. It was thought that the US would be calling for a strong yen at the trade talks with Japan which began yesterday and at the summit next month of the Group of Seven.

## Spanish elections depress peseta

The victory of the Socialists in the Spanish elections on June 6 prompted falls on the general share index after a period of gains. Investors had anticipated a conservative win and with that lower interest rates and a weaker peseta. The Socialist election victory reduced the prospect of interest rate cuts. The Spanish equity market has risen by 40 per cent since its six year low point in October 1992, following the first devaluation of the peseta.

## Pru and Halifax launch mortgages

Long-term fixed rate mortgages were launched this week by Prudential, the life company. The rate of 9.99 per cent can be fixed for a period of 25 years (10.2 APR), 20 years (10.1 APR) or 15 years (9.9 APR). The fixed rates are portable and are available on repayment, endowment and pension mortgages. The arrangement fee is £250 but there is no compulsion to buy insurance-related products. There is an early redemption penalty of 12 months gross interest.

Halifax has issued a range of new fixed rates available on all types of mortgages, including a fixed rate for under 10 years (until January 31 2003) at 9.35 per cent (9.5 APR). The arrangement fee is £300, and there are early redemption penalties. The mortgages are portable after February 1994 and first time buyers have to buy insurance-related products.

## BES to buy properties in Bristol

Capital Ventures this week launched the West of England Residential business expansion scheme. This will buy up accommodation for students of the University of the West of England, Bristol. Investors are given a contracted exit after five years of £1.19 for every £1 invested equivalent to a net annual return for higher rate taxpayers of 13.8 per cent and 9.29 per cent for a lower-rate taxpayer.

The university, formerly Bristol polytechnic, has undertaken to reacquire the properties and is cash-backed. The minimum investment is £22,000 and the issue is limited to £10m.

## Where to find private client brokers

Those seeking a private client stockbroker can obtain a list from the Association of Private Client Investment Managers and Stockbrokers by writing to: APCIMS, 5th floor, 20 Dyer Street, London EC2A 2BX. The list is also available to those calling 0891-335521, a line which is charged at 36p per minute, or 48p at other times.

## Small companies index rises

Another good week for small company shares saw the Hoare Govett index (capital gains version) rise 0.7 per cent from 1449.71 to 1459.32 over the week to June 10.

## Wall Street

## Retail sales catch a bad case of anaemia

THE LOUD, wooching sound echoing around the canyons of Wall Street yesterday was thousands of dealers and investors exulting at the same time. They had been holding their collective breath all week, fearing that a strong producer prices index number on Friday would prompt the Federal Reserve into raising interest rates as a precautionary measure against inflation.

Low interest rates have sustained stock and bond markets - and Wall Street's profits - for two years, so any reversal in rates would represent an extremely unwelcome start to summer. Yet, when the PPI was published, those fears proved unfounded.

Wholesale prices did not budge during May and the "core" PPI, which excludes the volatile components of food and energy prices, rose only 0.2 per cent, no more than analysts had expected. The relief was palpable. Bond prices rallied and the Dow Jones index surged at the opening bell, rising 25 points in the first 30 minutes before dropping back later.

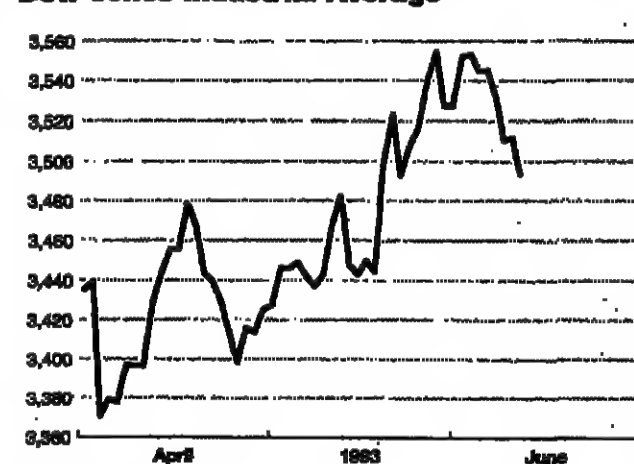
Analysts did not have to look far for an explanation for

May's flat inflation numbers. Also released yesterday were the May retail sales figures - and they were disappointingly weak. Sales rose only 0.1 per cent last month and were unchanged, excluding the car sales figures.

Although the April sales numbers were revised upward slightly, analysts were still surprised by the anaemic May data, which suggested that consumer demand remains subdued despite the fact that the economy is into its second year of recovery. What inflation, sales (and even the recent employment) figures point to is a low-growth, low-inflation economic recovery - exactly what the less extensible of Wall Street's economists have been forecasting for the better part of a year.

Dealers were not the only ones sweating over the inflation numbers. The White House this week kept up its pressure on the Fed not to make any hasty moves on monetary policy. On Wednesday, President Clinton met Alan Greenspan, the Fed chairman, to repeat the administration's view that the Budget deficit and the lack of eco-

## Dow Jones Industrial Average



nomie growth, not inflation, are the central problems facing the country.

Just to make sure the Fed got the message, commerce secretary Ron Brown said yesterday that the May producer prices figures were "solid evidence that higher interest rates are unnecessary, given the current state of the economy."

While such comments were

shifted towards a possible tightening after worryingly strong inflation numbers were released, then it will come after the CPI surfaces.

This helps to explain why the stock market's reaction to the positive PPI data was, ultimately, so restrained. After an initial burst, share prices fell back from their highs yesterday morning and by midday were languishing, with only mildly impressive gains.

The relatively disappointing performance of stocks at the end of the week was also a reflection of renewed concerns about the economic outlook - concerns that were heightened by an unexpected profits warning from Minnesota Mining & Manufacturing (3M), a Dow stock that is viewed widely as one of the best economic barometers in the market.

On Thursday, shares in 3M - an industrial conglomerate which makes products that range from recording tape and office supplies to medical products and chemicals - plunged 8.6 per cent after the company said second-quarter earnings would fall short of market expectations. It blamed the slowdown in the

economy. The sharp slide in 3M dragged down the Dow as well - the entire 30-point drop was attributable to 3M's decline.

Another market leader warning about its profits outlook this week was Apple Computer, one of the biggest stocks traded on the electronic Nasdaq market. On Wednesday, Apple said its earnings in the second half of this year would be less than those for the same stage of 1992.

Unlike 3M, however, Apple's sales are not struggling. The computer giant is suffering from the fierce price war among personal computer manufacturers, which is shrinking its profit margins.

Price wars, of course, are usually the result of too many sellers chasing too few buyers. In other words, the weakness of consumer demand and the economy is hurting Apple, just as it is 3M.

Patrick Harverson

Monday	3522.13	- 13.01
Tuesday	3510.54	- 31.89
Wednesday	3511.93	+ 01.39
Thursday	3491.78	- 20.21

## The Bottom Line

## Why Sir Ernest can smile

SIR Ernest Harrison, with much glee, this week firmly put the doubting Thomases back in their place. Chubb Security, Vodafone and Racal Electronics - the three companies he chairs after the last five year demerger - all reported sharply higher profits for the year to March 1993.

Basking in the applause, Sir Ernest allowed himself to muse about the possibility that Chubb - capitalised at £865m - is not that far from the FT-SE 100 index. If Chubb reached this pinnacle Sir Ernest would join a select club who chair two Footsie companies built substantially by themselves.

How plausible is this for Chubb? And what should shareholders with stakes in all three companies expect now, however thrilled they are by what Sir Ernest has achieved for them to date?

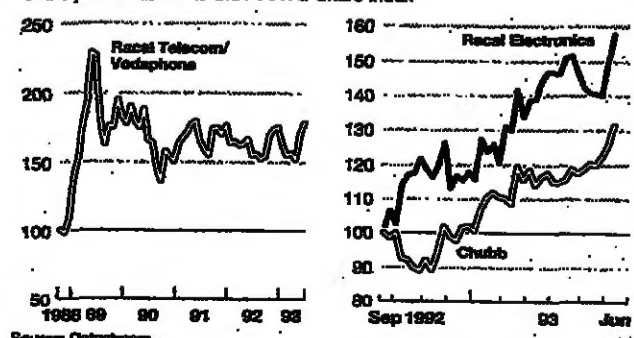
Vodafone, which reported profits of £322.5m up from £272m, presents the clearest picture. A glimpse of the company's dominance of the UK cellular telephone operator, market can be gleaned from its cash flow. At 58 per cent of

turnover, Vodafone's cash generating ability is matched by few companies.

Operating margins of 46 per cent give an equally revealing snapshot of how its competitors have consistently failed to mount effective competition. What is more, as economic recovery emerges, there seems to be scope for further growth in its market and surprisingly little sensitivity about the price subscribers are prepared to pay.

Racal Electronics - profits up from £16m to £22m - presents a more mixed picture, as might be expected from a company once described by Sir Ernest as the "rump" of the Racal businesses. At the operating level, almost all the improvement in profits last year emerged from a sharp increase in margin in the Data Communications division, the largest division.

## Share prices relative to the FT-SE All-Share Index



Data communications produced margins of only 3.4 per cent on sales of £371m - including profits from high margin data network services. Irrespective of how competitive this market is - and like the personal computer market it is fiercely so - there is clearly scope for more improvement here.

Elsewhere, Racal, the computer-aided design business which increased losses last year, and should be turned around ready for disposal.

The potential of the other business is further down the track. The UK government is about to award the Bowman communications contract for the British army, which would be profitable to Racal later this decade; and the group has won some exciting orders in its avionics division to put telephones in aircraft.

What is most encouraging for shareholders is that Racal has started to squeeze large quantities of cash out of what was a fairly relaxed organisation before demerger.

On balance, Racal may not be the best recovery story around but the management has a lot to play with.

Chubb Security's 64 per cent profits increase to £82m, has been a story of cost cutting and margin improvement - another reminder to shareholders how little the non-Vodafone businesses attracted management attention in the past. David Peacock, new chief exec-

utive, is setting that right and has stripped out working capital as well as enhancing margins. There is more room for margin improvement - although the easy bit has obviously been done.

Once the business has been licked back into shape, the secret will be whether the electronic security side of the business can be grown. As the company points out, rising crime should mean Chubb is selling into a growing market but its own sales have yet to demonstrate this growth.

Chubb has always been cash generative - in the Racal family it took over the role of banker to the group once Vodafone floated. But growing electronic security requires a heavy capital spend in the initial phase. At the moment Chubb appears to have a relatively modest capital expenditure.

If Sir Ernest is to fulfil the dream of making Chubb a Footsie company, investment may need to increase and the group may need to move further into the domestic market.

Richard Gourlay



## FINANCE AND THE FAMILY

## Dread disease: the insurance for critical cases

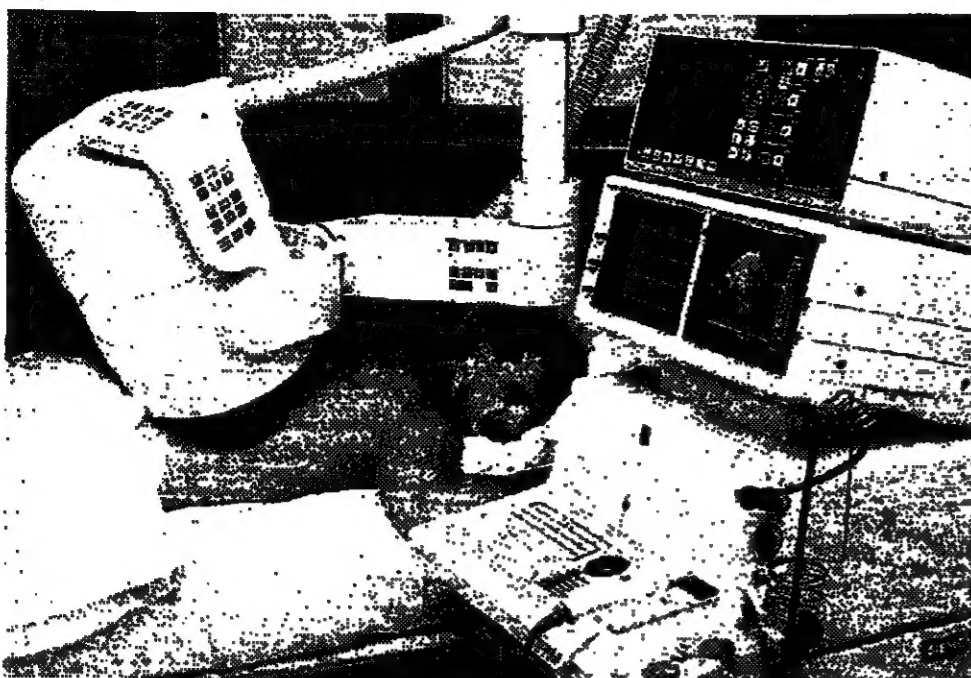
Bethan Hutton says that many people have never heard of this cover; yet, it can cushion family or firm from serious financial trouble

**D**READ disease; the very name is enough to put off anyone squeamish. But although it has been available in Britain for several years, many people have not heard of dread disease insurance, even under its other, less Gothic-sounding name of critical illness insurance.

Basically, it is designed to pay a lump sum when one of a defined list of serious illnesses is diagnosed, chief among them heart attacks, strokes and cancer. While such problems are common, statistics show you are more likely to contract a critical illness than to die before retirement age. Watson's, the actuarial firm, says that a man aged 40 has a 1:12 chance of dying by the age of 60 - but a 1:10 chance of getting such an illness.

The concept of this insurance stems from the fact that the impact of serious illness on a family's finances can be worse than death.

Unlike life insurance, critical illness insurance pays out before death; the illness does not have to be terminal. And, unlike permanent health insurance, the amount paid out is



Making life easier... a patient is checked for serious illness.

not necessarily related to earnings or inability to work.

Recipients are free to spend the lump sum how they choose: for instance, on home nursing care, a holiday to recu-

perate, to pay off the mortgage, or to make home alterations to take account of new disabilities. So far, the idea seems simple and useful. But confusion arises when you start to look

at the details of individual policies.

Some also provide a death benefit; some acquire a cash value; some cover illnesses that others do not; some allow

partial payments on diagnosis of certain less-serious conditions; some pay out when you become unable permanently to do your own job, while others say you must be incapable of doing any job. Most importantly, the definitions of the core illnesses can vary in small but crucial details.

The one disease excluded by all the policies is Aids. Indeed, the only claim any insurer will accept for an HIV-related illness (and only some will do this) is if it can be proved the virus was contracted from a blood transfusion in the UK while the policy was in force - something that is highly unlikely given the rigorous screening procedures now adopted. But haemophiliacs are excluded even from this.

Confusion over the level of cover provided by different insurers is one reason that many independent financial advisers have been reluctant to deal with critical illness insurance. So, in an attempt to clarify the sector, a working party from the National Federation of Independent Financial Advisers has produced a list of standard definitions for the main conditions covered.

While only a handful of

insurers - including Life Association of Scotland and Friends Provident - has agreed to adopt the list so far, others are considering it. At the least, the NFIFA is asking all insurers to make sure their definitions are as extensive as the list by autumn this year.

Countrywide, one of the largest networks of IFAs, has examined most of the 60-odd policies on offer to check their definitions of key dread diseases. It was looking for definitions that would give clients the best opportunity to make a valid claim, which meant that those worded vaguely or too narrowly were out.

Stuart Fulkers, one of Countrywide's researchers, said they had discovered that seven conditions were most likely to attract claims. "Others are unlikely situations or marketing gimmicks. Policies should at least be competent in the core areas - after that it is just a bonus."

Countrywide found 16 companies with definitions it deemed acceptable: Allied Dunbar, Cannon Lincoln, Commercial Union, Eagle Star, General Accident, Guardian Royal Exchange, Liberty Life, London Life, Pegasus, PPP Lifetime, Prolific, Scottish Amicable, Skandia Life, Sun Life, Windsor Life and Zurich Life. Medical jargon can also put off potential customers who want to know exactly what a policy will cover. Several companies, including Allied Dunbar and Life Association of Scotland, now provide a plain English guide - in readable type - explaining their definitions.

As critical illness cover remains a relatively recent addition to insurers' portfolios, new applications are still being invented for it, such as an add-on to endowment policies. It can also be taken out by businesses as a back-up to key-man life insurance. If a part-

ner, director or other key employee becomes seriously ill, the pay-out compensates the company for their loss or allows their share of the business to be bought out.

Adrian Kemp, an employee benefits consultant with Berry, Birch & Noble, sees critical illness cover as particularly relevant to the executive and key-man markets, but he also expects growth in the general sector. "I think it is going to be a developing market for the rest of the decade," he says. "We will see significant innovations - possibly more insurers entering the market, and that would be no bad thing."

David Thompson, a director at IFA Noble Lowndes in Bristol, adds: "The attraction of critical illness cover is that an individual might not want to work any more. If somebody is struck down by a heart attack through stress, the last thing they want to do is go back to work."

## What you'll pay

THE MAIN conditions covered by all critical illness policies are heart attack, some types of heart surgery, cancer, stroke, kidney failure, paralysis, and major organ transplant.

Definitions can, however, vary widely and a large number of other conditions are covered by the different insurers.

The sum assured is usually backed by units in investment funds. Insurers often quote two levels of premiums. "Maximum" means that premiums and the sum assured are guaranteed for a set time limit, usually five or 10 years; after that, premiums can be expected to rise if the sum assured is not to fall.

With "standard" cover, the sum assured and premiums should remain steady for life if the funds involved achieve growth at the projected rate. But, if they do not, then any cash value built up might be

used to make up the shortfall, or the premiums may increase. Reviews normally take place every five or 10 years.

Because of the complexity of the subject, you should always discuss your needs with a financial adviser before making any decisions. The following is a selection, not an exhaustive list, of companies offering critical illness insurance.

The premiums quoted are for the most comprehensive standard cover for a male non-smoker aged 40 next birthday, including death benefit, with a sum assured of £100,000. But because levels of cover can be very different, the premiums may not be comparable directly.

■ Abbey Life has offered criti-

cal illness insurance since 1987. It says it will be moving to adopt the NFIFA's definitions at the first reasonable opportunity, but its own definitions are very similar. Standard cover is £126.35 a month. ■ Friends Provident has already adopted the NFIFA guidelines for critical illness options on mortgages. Stand-alone policies are under review and, when re-launched, the guidelines probably will be used. The premium for a stand-alone policy is £132.25 a month.

■ Life Association of Scotland recently re-launched its Vitality policy, with an expanded list of illnesses covered, and has adopted the NFIFA definitions. Standard cover costs £128.63 a month. ■ Pegasus' critical illness policies were re-launched in 1991

long-term care and surgical cash benefit cover, which can be combined in any pattern. The fullest cover costs £122.55 on a standard premium basis.

■ Friends Provident has already adopted the NFIFA guidelines for critical illness options on mortgages. Stand-alone policies are under review and, when re-launched, the guidelines probably will be used. The premium for a stand-alone policy is £132.25 a month.

■ Skandia Life is about to adopt the NFIFA definitions, including applying them to existing policies, except where the existing definition is broader. Cover under the Lifetime plan costs £126.36 a month.

## Directors' Transactions

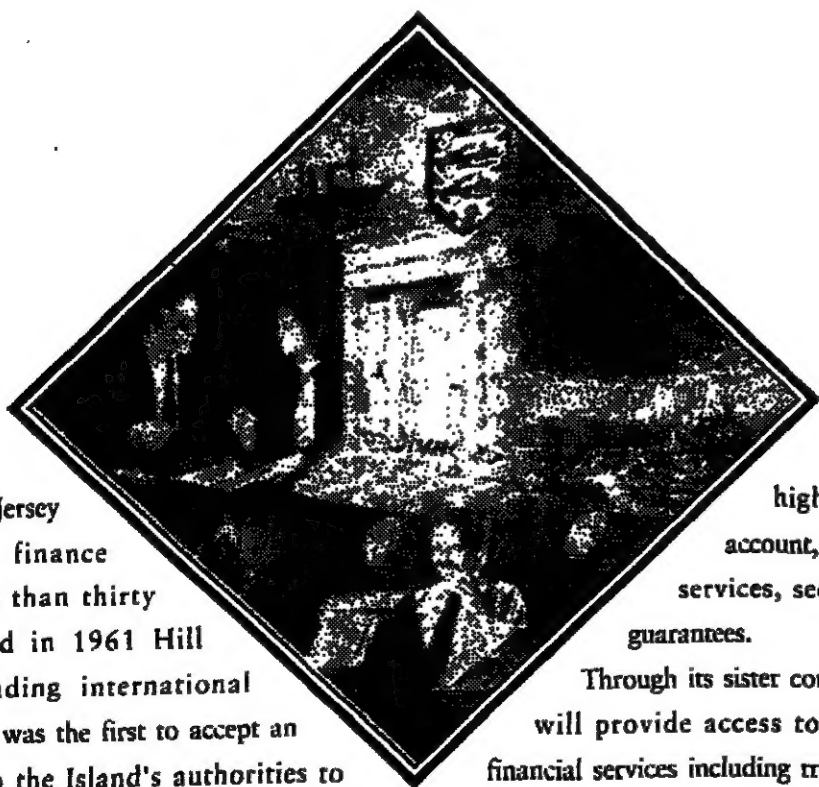
## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Berry Birch & Noble	InsB	39,377	67	2
Burnat Casrol	CBG	145,128	1,019	1
Claremont Garments	Text	50,000	172	1
Cowie (T)	Motr	410,000	662	2
Dencora	Prop	50,000	70	1
F&C Pacific Wls	IntR	10,000	20	1
Hall Engineering	EngG	5,500	21	1
Int Food Machinery	EngG	130,000	88	2
Leeds Group	Text	15,000	72	1
Perpetual	CHIF	40,000	188	2
Tibbett & Britton	Tran	50,000	375	1
Unilever	FdMa	4,972	51	1
Vesper Thomeycroft	EngG	2,310	13	1
Watmoughs	Med	5,000	34	1
Willis Corroon	InsB	10,000	19	1
World of Leather	Shoe	600,000	360	2
Yorkshire Chemicals	Chem	100,000	385	1
<b>PURCHASES</b>				
Amicable Sm Enterpr	IntR	10,000	10	1
Shubert Toys	Misc	6,000	14	1
Britannic Assurance	InsL	1,000	15	1
Fairway Group	Misc	30,000	21	1
Hammerston Prop A NV	Top	22,000	75	1
Laird Group	Motr	5,000	17	1
Mercury Asset Man	CHIF	7,888	41	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (†) & 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 1-4 June 1993. Source: Directors Ltd, The Inside Track, Edinburgh

Colin Rogers, The Inside Track

## Hill Samuel first in Jersey



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Hill Samuel Bank (Jersey) Limited is a member of the UK based Hill Samuel group of companies. Hill Samuel, your first choice in offshore banking. Enquiries for individual requirements or for further information should be addressed to Kaye Fontaine, Client Services.

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## FINANCE AND THE FAMILY

## Taking the risk out of travelling

Bethan Hutton investigates holiday insurance policies and finds that not all are the same

**P**LOUGHING through the small print of travel insurance policies might be off-putting when planning a holiday, but it is not safe to assume that all policies are the same.

If your shiny new camcorder is stolen on its first outing abroad, you could find yourself with the option of claiming under three or four different policies. Travel insurance is the most obvious but there is also your home contents policy (if you have all-risks cover) and automatic, short-term cover if you bought the camera with a credit card. If it is stolen from your vehicle, you might also have a claim under your car insurance.

If, however, you decide on impulse to go scuba diving one day during your holiday, and are unlucky enough to injure your foot on a coral reef, you might not be covered at all. Most travel insurance covers theft of possessions, but it often excludes injuries received during activities considered dangerous, such as diving or mountain climbing, unless you have made special arrangements.

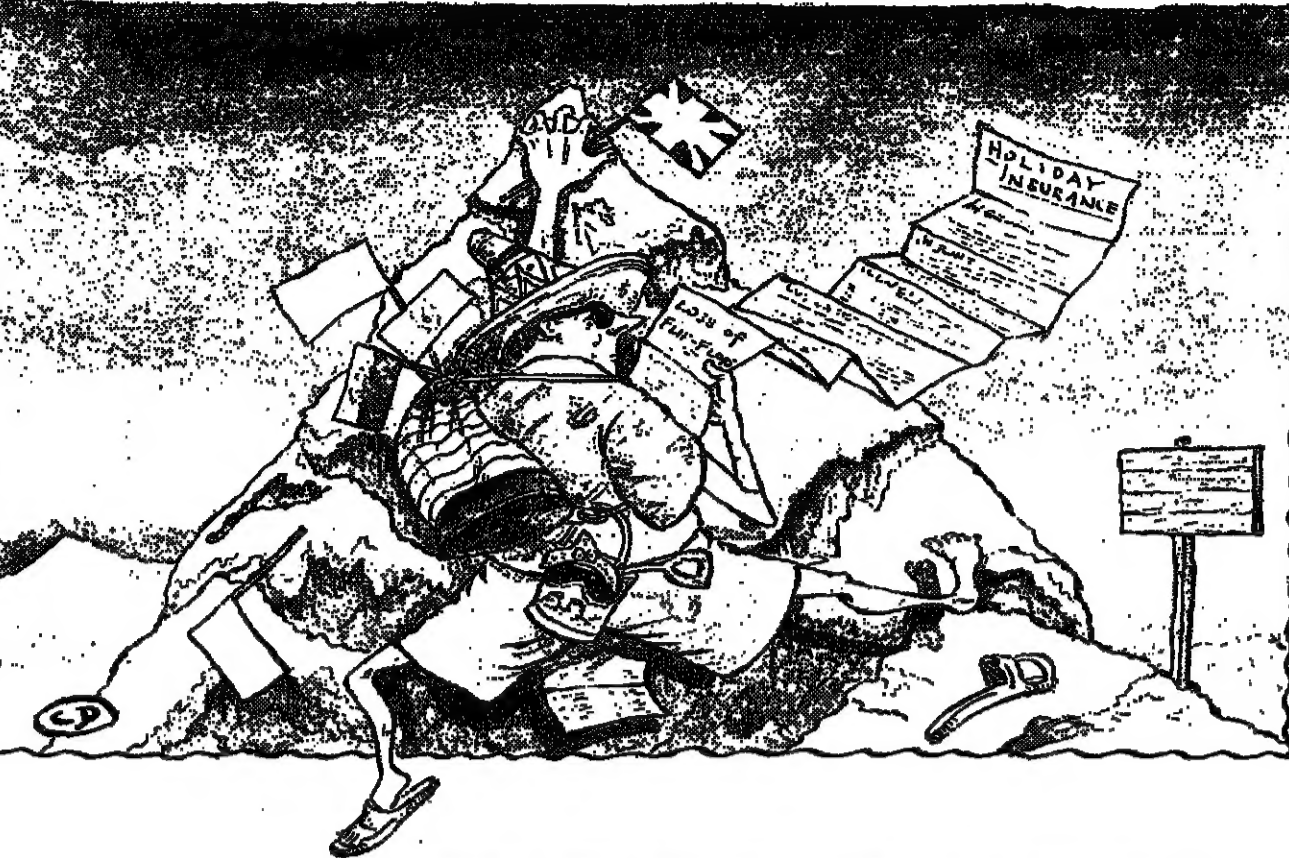
Before you can choose a travel policy, you need to know where you are going, what you will be doing there, what you will be taking with you, and for what you are insured already.

Unlike all-risks household insurance, travel insurance is unlikely to provide new-for-old cover for your possessions. There could be a relatively low limit for individual items, which could mean that your expensive watch (or even designer luggage) is best left at home.

Look through your existing (non-travel) policies to see what is covered. If, for example, your all-risks cover excludes the part of the world to which you are travelling, you need a travel policy giving adequate cover for everything you take.

Some insurers give a discount on their travel premiums if you opt out of baggage insurance because you feel your home contents policy provides enough all-risks cover for that.

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	Individual	Family <sup>1</sup>	Trip limit	Skating	Age
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Barclays	£97.50	£126	90 days	17 days	70
Columbus	£79	£131	90 days	extra premium	70
First Direct	£69	£99	90 days	no limit	65
Frizzell	£96.30	£321*	90 days	double premium	65
National & Provincial	£75	£250	90 days	17 days	65
National Westminster	£75	£212*	90 days	17 days	67
Thomas Cook	£115	£255†	60 days	17 days	no limit

<sup>1</sup> Family includes two adults and two children aged 2-16.

<sup>2</sup> No family policy available; premium quoted in individual policies for two adults and two children aged 2-16.

<sup>3</sup> Includes up to four children. Holder and spouse only. £195.

are covered by most but you might need to tell the insurer and confirm you are not travelling against medical advice.

Older people with a taste for adventure may have a hard time finding suitable holiday insurance. Plenty of policies for travel within Europe have no age limit, but premiums often double for people over 65 travelling to the US or else-

where. Thomas Cook, though, has no age limits on any policy: an 80-year-old pays the same as a two-year-old.

If you are planning a package holiday, it is worth investigating various types of travel insurance before booking. You could be pressed by the travel agent to accept the tour operator's own policy, which might not be the best for your cir-

but this applies only while they are travelling, not to accidents elsewhere. Possessions are covered only if they were bought with the card fewer than 100 days before.

Annual insurance policies, which cover you for unlimited numbers of trips lasting less than two or three months, have become more common - and more affordable - recently. If you go abroad more than once a year, they are definitely worth considering, particularly if you go skiing or travel with your family.

First Direct's (0345-100100) annual world-wide policy for two adults and two children costs £99, and covers unlimited skiing within the limit of 90 days a trip. Insurance for the same group for a two-week holiday in the US is likely to cost at least £80. If you do not intend to holiday outside Europe, Frizzell (0202-292333) offers a comprehensive annual policy for £48.15 per adult.

Terrorism, after a rise in a previously idyllic holiday spot, are every tourist's nightmare. If, say, you had been injured in the Florence car bombing last month, some insurers would have paid up. Some, though, exclude acts of terrorism so check the small print. Others may pay, but at their own discretion.

If a civil war or rioting breaks out in your destination before you leave home, call your insurer to check if your policy is still valid. If the foreign office advises against travelling to an area, this could be enough cause to cancel the holiday and make a claim.

If your idea of a good holiday is diving, mountaineering, white-water rafting or bungee jumping, you might need to contact one of the companies offering specialist activity holiday insurance.

Crispin Speers (071-490-5063), for instance, will cover activities such as hang-gliding and abseiling for a £10 extension to its standard policies. More dangerous activities will be considered individually.

Accident and General's (071-512-0022) ActivityGuard provides three levels of cover, depending on the degree of danger.

## Action on home income victims

SIB admits warnings were tardy, says Scheherazade Daneshkhu

**V**ICTIMS of home income plans who have not yet contacted the regulatory authorities are being urged to come forward and register their complaints.

The Securities and Investments Board (SIB), the chief regulatory body for the financial services industry, has drawn up a fact sheet which is available from its headquarters and from citizens advice bureaux.

This outlines the grounds on which victims may be entitled to compensation. SIB has also set up a help desk.\*

Investment-linked home income schemes were devised late in the 1980s as a way for (mostly elderly) investors to unlock capital in their homes. The idea was to take out a mortgage and invest the proceeds in the hope of earning a return large enough to meet the repayments as well as providing extra income.

Many advisers backed the plans with single-premium investment bonds. When the value of these fell because of poor stock market performance, and interest rates rose, investors ran into financial difficulties which were compounded by the continuing slump in the housing market.

Many of the schemes were sold as "safe" investments, with people unaware of the risks. Investors spent the money they received in the belief that it was interest on their home's capital but, actually, they were consuming the capital itself.

So far, SIB has received 1,527 complaints, with a further 160 in the pipeline. A total of £23m has been paid to just over 1,900 investors, but many victims have been hit by the inconsistencies of the compensation system.

Those who were sold the policy by a member of Fimbra (the self-regulatory organisation for independent financial advisers), which then went into default, have

recourse under the Investors Compensation Scheme. This limits the maximum payout per claim to £48,000, and is not obliged to return people to the position in which they would have been had they not invested.

But those who dealt with a member of Lantoro (the SRO for the life industry) do not have a compensation ceiling, and Lantoro members in breach of the rules must ensure that clients are not worse off because of their investments. Lantoro members have paid £8m to 920 home income investors.

SIB does not expect many more claimants. Chairman Andrew Large says: "We believe the worst is now over but, before we can close this chapter, I want to be sure that all investors who have suffered in this way are identified and encouraged to take appropriate action."

Although SIB's move is welcome, its fact sheet - which also details the risks involved - is a little belated. SIB admitted this week that, with hindsight, the initial measures taken to deter the sale of these highly-risky plans may have been wrong.

The regulators first expressed concern about the way the plans were marketed in 1989, but it was not until 1990 that Fimbra and Lantoro wrote to their members reminding them of their duty to recommend only policies suitable for each customer's specific needs.

But the lack of public warnings meant that unauthorised firms were able to sell the products, with investors unaware of their dangers. A year later, the sale of investment-linked home income plans was, effectively, banned by both SROs.

"This has been a dreadful episode," says Large. "I want to ensure that everyone who has suffered... is appropriately compensated." \*SIB Home Income Scheme Help Desk, Gouville House, 2-14 Bunhill Row, London EC1.



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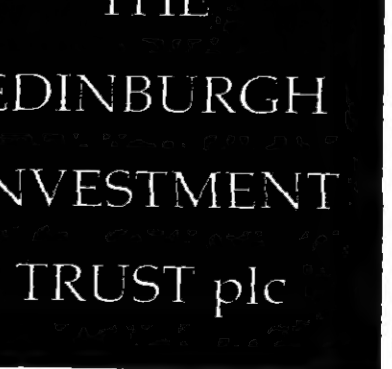
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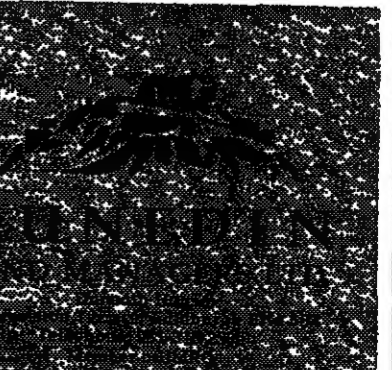


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**Philip Coggan** looks at a trust with sound investment performance and simple structure



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## FINANCE AND THE FAMILY

# Women still suffering pension discrimination

Deborah Harrison on how part-timers and the low-paid are penalised

INDIRECT discrimination by company pension schemes against women employees continues unabated in the UK, in spite of the general drive towards equal pensions for all. One particular practice, known as "integration," effectively bars many thousands of women from access to occupational scheme benefits.

Integration, in this context, involves an occupational pension scheme which only makes payments after allowing for a notional level of state benefit. Those women who suffer from the practice tend to be low earners who are not entitled to a full state pension.

In 1990, the European Court of Justice ruled on a case where a German company excluded part-timers from its scheme. Since most of them were female, the court stated that the company had discriminated indirectly against women.

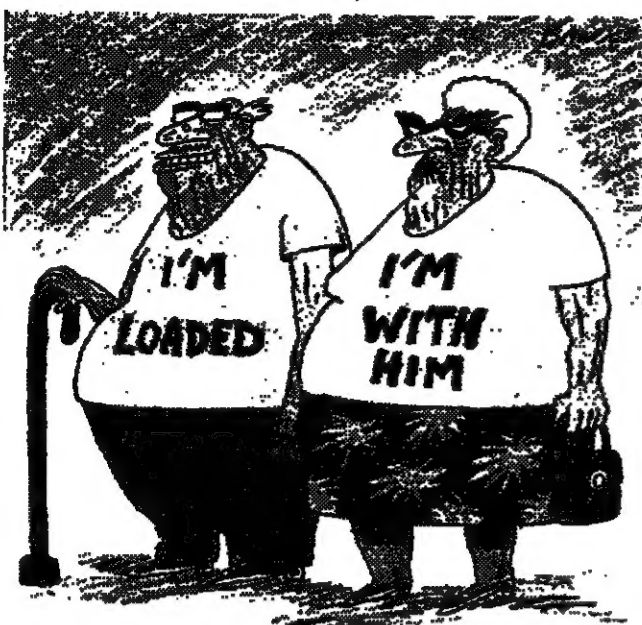
About half the final salary schemes in the UK are integrated. Final salary schemes calculate the individual's pension as a proportion of salary at retirement. Typically, where a scheme is integrated, the value of the state pension or the lower earnings limit for national insurance - both worth about £3,000 - is deducted from the employee's final salary before the occupational pension is calculated.

In effect, this means where a single integration factor is used, employees would not receive any occupational pension for the first £3,000 of their final salary.

According to the National Association of Pension Funds (NAPF), about one-fifth of schemes apply a high integration factor where one and half times - or even twice - the value of the state pension is deducted before the company pension is calculated. In the latter situation, an employee would receive no company pension for the first £6,000 of his or her final salary.

Tina Norris, manager of pensions research at actuary and consultant Noble Lowndes, says: "This obviously works against low earners and the problem particularly affects women, especially part-timers. In this respect, integration could be regarded as a form of indirect discrimination."

Trade unions have been active in trying to abolish integration. Paul Moloney, pensions officer at the General,



Municipal and Bolemakers Union explains: "We feel integration is indirectly discriminatory, particularly where it is not applied on a pro rata basis. Where a high integration factor is used, this means that although, in theory, part-time employees are allowed to join the scheme, in practice there is no point."

Employers who use integration argue that their aim is to provide an overall level of retirement income, and that it makes sense to take into account what the state pays already. They also argue that it can be possible to "over-provide" where integration is not used. This means that the low-paid scheme member ends up with a combined state and occupational pension higher than his or her final salary.

But Paul Greenwood, head of actuarial research at employee benefits consultant William M. Mercer, says cases of over-provision have become increasingly rare since the reduction in the real value of state pensions since 1979 when the government linked annual increases to prices rather than wages inflation.

Moreover, where employees' earnings fall below the lower earnings limit for National Insurance contributions, they will not build up a right to a state pension because, due to family commitments, they have long periods out of employment.

Around 500,000 women con-

tinues to pay the reduced rate of National Insurance contribution - known as the married woman's stamp - which does not build up a right to the state pension.

Where a woman is not entitled to a state pension in her own name, she can claim a smaller pension based on her husband's entitlement, although even this is vulnerable if she changes her marital status.

In spite of the German case, UK law on indirect discrimination is unclear. All forms would have been outlawed under a provision of the Social Security Act 1989 which was due to come into effect in January this year. However this was dropped by the department of social security, which preferred to wait for an equal pensions case involving the Coleroll company to go to the European Court.

The court gave an "opinion" on this at the end of April, with the final judgment expected later this year. While the opinion cleared up confusion about the date from which equal occupational pensions for men and women must be implemented, it did not refer specifically to the issue of indirect discrimination.

But Mark Grant, a solicitor with McKenna & Co. which is acting for the company, says: "The guiding principle behind Coleroll is that all elements of sex discrimination are outlawed. The problem is that the law on sex discrimination in occupational pensions schemes

in the UK has developed piecemeal. What we need now is a Coleroll Act or Pensions Act that will clarify the position on all aspects of direct and indirect discrimination."

Meanwhile, employees should check with the pension scheme manager or trustees to see if their scheme is integrated. Fortunately, employee contributions are based only on pensionable pay - that is, the portion of salary above the integration level. Bear in mind that integration relates only to the basic state pension and has nothing to do with the State earnings-related pension scheme (Serps).

When you come to assess the impact of integration on your pension, pensions consultant Alan Pickering stresses: "It is vital to see the problem in context."

Pickering, of employee benefits consultant R. Watson & Sons, adds: "Different pension schemes build up at different rates and it may be that, if your scheme has a high accrual rate, this will compensate - at least in part - for the integration factor."

The recession has accelerated the impact of integration. Pickering says: "The problem is particularly acute for the growing number of employees who are forced to retire early as part of a redundancy programme. These people face a double blow."

"First, even if their occupational pension is not 'actuarially reduced' because of early-leaver provisions, it is based on a much shorter employment period and, therefore, will be considerably less than the pension available at the normal retirement date."

"But, in addition, where integration applies, the reduction to take account of the state pension kicks in immediately, even though it may be some years before the individual actually starts to draw the pension at age 60 for women and age 65 for men."

If, due to integration, you expect to get very little from your company pension, it could be worth considering a personal pension. Due, however, to the high level of charges on most life office plans, these arrangements tend to represent poor value to low earners making small contributions, so it is important to seek expert advice.



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<b>NOTICE A/cs and BONDS</b>					
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Northern Rock BS	0800 505000	30 Day	£2,500	7.30% A	Yt
Chelsea BS	0800 272505	30.9.95	£10,000	8.00% A	Yt
Chorley & District BS	0257 278573	6 Mth	£75,000	8.55% A	Yt

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
<b>MONTHLY INTEREST</b>					
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Yorkshire BS	0800 378836	Instant	£25,000	7.19% B	Mt
Chelsea BS	0800 272505	30.9.95	£10,000	8.05% A	Mt

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
<b>TESSAs (Tax Free)</b>					
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Durham BS	0383 721821	5 Year	£3,000	8.00% A	Yt
National Counties BS	0372 736702	5 Year	£3,000	7.80% A	Yt
Durley BS	0354 231414	5 Year	£10	7.87% A	Yt

Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
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Chelsea BS	0800 717615	Instant	£2,500	6.10% A	Yt
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Concordation Bank Jersey	0634 608030	60 Day	£10,000	6.75% A	Yt
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Bristol & West Int'l Ltd	0800 833222	6 Mth	£5,000	6.55% A	Yt

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Consolidated Life FN	081 940 8343	1 Year	£2,000	5.00% A	Yt
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Consolidated Life FN	081 367 6000	3 Year	£2,000	6.35% A	Yt
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Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
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Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
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40th Issue		5 Year	£100	5.75% A	OM
6th Index Linked		5 Year	£100	3.25% A	OM
Childrens Bond E		5 Year	£25	7.85% A	OM

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## Watchdogs under fire

THE NATIONAL Consumer Council this week published a report highlighting shortcomings in two ombudsmen schemes designed to help consumers resolve disputes without resorting to legal action.

The report was based on a sample of nearly 1,000 consumers who had used the insurance ombudsman bureau and the office of the building societies' ombudsman. About half questioned the independence of the schemes, although their opinion was influenced largely by whether they had won their cases.

Some 70 per cent of those who lost under the building societies scheme believed it was unfair but 81 per cent of those who won disagreed. Nevertheless, between 28-31 per cent of those who lost under both schemes still thought them fair. About 43 per cent of those complaining to the building societies' office found it took an "unreasonably long time to make a decision" and 20 per cent of those using the insurance ombudsman agreed.

Complainants must go through the internal complaints system of the building society or insurance company before approaching the ombudsmen but half those surveyed said they found this "a complete waste of time."

The average time taken for disputes to be settled - including that taken by internal complaints procedures - was 52 weeks in the case of the insurance ombudsman and 91 weeks for the building societies' arbitrator.

The NCC suggests the ombudsmen should be given greater powers to speed up and set minimum standards for the internal complaints procedures of member companies. It also recommends establishing an independent organisation to oversee all ombudsman schemes.

In general, though, those surveyed thought the schemes were approachable and cheap.

Scheherazade Daneshkhu

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## MINDING YOUR OWN BUSINESS

## As They Say In Europe Please drive Caerphilly

**A** "EUROPE of Regions" is one of those dreams that provides a useful standby for all kinds of commentators on the Community scene. The attractions of this dream derive from its evocation of cheery images of Burgundians and Bavarians exchanging tales of heroic drinking and cholesterol cuisine.

The trouble is that some nations have regions and some do not as was simply demonstrated by this week's publication of *Regional Trends* from Britain's Central Statistical Office. Britain contains four countries but no regions, merely what someone in Whitehall would probably call "Areas of Administrative convenience". Thus we English live in the east Midlands and the north west. The Dutch live entirely in such AACs, but they probably prefer it that way. The Portuguese, the Danes and the Irish have nothing but Portugal, Denmark and Ireland.

The French have fabricated some nice bits of country but for the real thing you have to go to Italy and above all Germany. Their regions inspire the dullest mind - Lombardy and Rheinland-Palatinate, Abruzzi and Mecklenburg and Western Pomerania. There one hears the heartbeat of history; Yorkshire might achieve that, but in the hands of Whitehall it becomes Yorkshire and Humberside.

If there is ever to be a Europe of regions, which are the most attractive? This is where *Regional Trends* might be expected to provide an answer.

There is a general view in Britain that the place to live is anywhere but Britain, but international statisticians disagree. This was revealed to me while thumbing through a publication from the United Nations Development Programme last month which put Britain at number 11 in the world in terms of its quality of

life. That was odd because it ranked 21 on the income scale; no other industrial nation was able to sustain such a high quality lifestyle on the basis of such relative poverty. Mind you, any survey which puts Japan at number one must arouse considerable suspicion. The niceness of Britain comes through in *Regional Trends'* European lifestyle comparisons. Again the Brits may not be the richest, but they are not that poor either. And they enjoy notable advantages: if you want to avoid being run over, Britain is plainly the place to be. Wales in fact has the lowest rate of road deaths of anywhere in the

**James Morgan examines an attempt to measure quality of life in different parts of Europe**

Community, which I find hard to credit. If you want to be hit by a car Paris, unsurprisingly, is your natural choice; it is three times more likely to happen there than in London.

If one takes apparently similar regions there are more surprises in store. South east England and North Rhine-Westphalia have about the same population - around 17m - in about the same area. Now if *Regional Trends* is right, the south east English enjoy the higher standard of living. On the basis of the purchasing power of their incomes they are 10 per cent better off than the Rhinish Westphalians. Their babies are more likely to be born healthy and each working person has fewer people to support. (Inevitably) far more car crashes, and will be nearly twice as likely to be working in factories (those nasty, noisy places), some-

thing the English gave up years ago. But North Rhine and Westphalia are not as likely to be out of work, not yet anyway.

The regions of Europe of which people dream are probably Provence, Tuscany and the south of Spain. Well, the last of these is all right, judging by the figures, but on no account look for work there for it has the worst unemployment rate in the Community. Provence and central Italy are so favoured as retirement locations that scarcely anybody but the over-65s seems to live there. But all these Latin idylls suffer the disadvantage on which *Regional Trends* puts such insistent emphasis - danger on the roads. Even by local standards they seem unusually well stocked with wrecks and corpses.

One is left wondering if the compilers of this fascinating volume deliberately selected their international comparisons to create that image of a "nation at ease with itself" of which the prime minister, John Major, spoke once, and only once. Come to Britain, enjoy its active, youthful population, its fine babies and careful drivers.

But a Europe of regions is not to be fashioned from the demographer's computer. At least not according to those Arcadians whose columns decorate the more conservative weekly journals in Britain. Their vision has no time for comparative unemployment figures, but emphasises the qualities of local alcoholic beverages, *spécialités du pays*, and vernacular architecture.

The curiosity is that this dream is so widespread among anti-Maastricht nationalists who live in a country which has virtually eliminated the possibility of achieving the regional vision. If you really care about creating a healthy regionalism you should probably be a Euro-federalist.

James Morgan is economics correspondent of the BBC World Service.



Shell company: June and Joe Folder with a tray full of their oysters

## Farmers who went to sea

Cynthia Hurst on a couple who found their dream cottage and then worried about work

**F**ARMERS have to be adaptable, but few would change their plans to suit circumstances as much as Joe and June Folder have.

The Folders' background is in conventional farm management in northern England and Wales, but they have turned to raising a completely different kind of livestock - millions of Pacific oysters - at their farm on the Cleddau Estuary in Pembrokeshire.

The switch to shellfish followed their discovery 13 years ago of a cottage set in 23 idyllic

acres of Pembrokeshire Coast National Park land overlooking the estuary.

"This just seemed like a nice place to live," Joe says, "so we began looking for a suitable cottage."

There were native oysters already growing in the estuary, which seemed to be a good indication of the potential.

The Folders set up Carew Oysters in 1980, budgeting about £52,000 for equipment and working capital. It took a good deal of persuasion to get the bank to co-operate, especially as a nearby oyster farm

was going bust.

"You can imagine the reaction of a bank manager if you say you want £50,000 to throw in the river and in three to four years you might begin to show a return," Joe says.

The farm's oysters are bought as 2mm seed, or spat, from a hatchery in Kent and kept in a semi-controlled nursery for a few months until they are about one inch long and tough enough to survive in the open.

The oysters are then loaded into plastic mesh bags which are placed on pontoons and transferred to the open estuary, where they will stay for two to three years. The oysters are spread out over five acres of sea bed where they feed on plankton and other nutrients brought to them twice a day on the tide.

During the summer, the 10,000 bags have to be turned once a month to keep off algae and other fouling organisms. When they eventually reach

market size, the oysters are

cleaned inside and out in purification tanks before being packed, still in their shells, for sale.

Carew Oysters' growth also has been steady, and the business now has five employees and an annual turnover of £100,000, representing about a million oysters.

Half of the crop from the farm, not yet mature, is shipped to countries such as France and Germany, where they can finish growing to market size and be sold - quite legally - as "French" or "German" oysters.

Joe Folder deals with wholesalers on the continent, but in the UK, a market he would like to expand, he is aiming more at retail outlets. But the high street fishmonger who would stock fresh oysters is a disappearing breed, along with the housewife who would buy from him.

"We have two generations of housewives who don't know

anything about fish," Joe complains. "It's all supermarket stuff now, with everything pre-packaged." Nevertheless, he does sell to wholesalers in Wales and England who in turn sell the oysters to retailers, and Carew Oysters are served in local restaurants and hotels.

He also runs a mail order business, marketing the oysters, with their reputation as both an upmarket food and an aphrodisiac, as the perfect gift for St Valentine's, anniversaries or other special occasions. Food shows and exhibitions provide another way of bringing oysters and the public together, and there is a shop at the farm with free samples for visitors.

"It's sometimes difficult to get people to try oysters," Joe says, "but once they do, they usually enjoy them."

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## The Red Fat Cat

Continued from page 1

Yangtze, where they discovered a batch of imperfect buttons discarded on a rubbish tip. They carried the buttons back to Qiaotou and found, to their delight, that they were tradeable items. So began a business in one of life's most basic commodities that has led to Qiaotou itself making half of China's buttons as well as being the wholesaling centre for about 80 per cent of the country's requirements.

With China's garment-producing industry growing very rapidly, Qiaotou's future seems assured. Along the way, a fairly significant number of people there have become rich beyond their wildest dreams.

■ ■ ■

Xian Guo Xing, the watch band "king" of Qiaotou, has a problem: he cannot fit a lift in his six-storey house to transport him to his various floors. These boast a bar stocked with cognac, a 27-inch colour television, a roof garden with commanding views, and a personalised Karaoke bar with its oversized loudspeakers. By any standards, Xian has made it.

He has a simple solution for his lift problem - he is giving the house to his son and daughters and moving down the road to a larger, new dwelling - complete with an elevator. All this is not bad for someone who was labouring in the fields as a peasant until seven years ago.

But while Xian is happy to admit that things have moved fast for him, he insists that others have got rich more quickly and have bigger houses with lifts. Indeed, a lift appears to be the ultimate status symbol in Qiaotou. "Look over there," he says, gesturing from his roof garden. "There is a much bigger house than mine - with a lift in it."

Madam Jiang, Xian's talkative wife, still cannot quite believe their good fortune. She recalls that when they were married in 1957, they lived without running water and



Mr Zhao, tonic in hand, works on the lucky Mr Fan. A treatment costs £3, which is equivalent to one week's wages for the average worker

had to burn straw in their stove for heating and cooking. They owned neither radio nor sewing machine and she carried water from the river in buckets. Now, their house has three kitchens and three bathrooms, two washing machines, four colour television sets (hooked up to a cable service), a microwave, and other labor-saving devices she did not know existed when she married.

"We lived on sweet potatoes," she says. "I never expected this. My biggest wish was simply to live a better life. The difference between then and now is like heaven and earth."

Xian has a fairly crude philosophy about making money and the widening gap between rich and poor. "You can't make everyone equal," he says. "Equally cannot develop the country. You have to have

someone who gets rich first. If the boss gets rich, everyone from the village gets rich with him."

At a nearby factory, Mr Zhang, one of Qiaotou's "button kings," would agree. Business is tough, he says, noting that he works more than 10 hours a day, seven days a week. "Wealth never simply drops down from heaven into your pocket," he adds.

Back at the Qiaotou button market itself, a series of large structures on the main street, buyers and wholesalers haggle over prices and quality. But all seem to have one idea: to make money. Typical is young Miss Jin Jian Feng, who presides over mounds of buttons made by her family. She aims to travel widely. She also wants a car. What sort? "A big car - and an imported one," she says, emphatically.



## SPORT / MOTORING

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## Lions face extinction



Lion takes wing: Iwan Evans on the run against Otago

**B**Y THE time you have read this you will be one up on me, you will know the score because the first Test against the All Blacks will be over.

I wish I could be more confident about the British and Irish Lions but leaving aside my own prejudice that the whole idea of the Lions concept is an anachronism, the selection of first Gavin Hastings as captain, and then the old lags from England did not give me much confidence.

The English have this odd notion that a captain is the first name on the cards, and then he invites his team to join him in representing his country. But in the current regime of manager, team coach and specialist coaches, a captain is more and more obsolete.

Hastings' experience of captaincy has demonstrated that under pressure he has a tendency to go into his shell and see the game only in terms of his own performance.

Will Carling is the most experienced captain. His record makes him the most successful England captain this century but while he is a brilliant player, he could not captain his way out of a tactical paper bag. He does not seem mentally or physically fit. He played only 14 club games this season and on the Lions tour he has struggled to complete a game. Furthermore, his subject performance as both captain and player against France, Wales and Ireland suggest that his star is on the wane.

Had the Lions selectors chosen the side first and then the

captain, it would have been a close thing between the maverick Stuart Barnes and the irrepressible Dean Richards.

I sense that Carling does not

want to be in New Zealand. He is a longer. He is also Geoff Cooke's boy. Cooke was allegedly the only one to vote for Carling as tour captain.

Cooke's future as manager of the England team, though written in stone until the World Cup in South Africa, still depends largely on how his

protégé performs in the next Five Nations Championships.

England have, in Jeremy Guscott, the finest centre in the world. He can kick equally well off both feet (and, even nonchalantly drops goals with whichever foot he fancies at the time); who has pace with overdrive and who is secure in defence but who yet may never realise his true ability. The fault lies with Carling and, until Barnes replaced him this season, Rob Andrew. They are instinctively defensive players and prefer to play a tight restricting game.

This Lions tour may be the last of its kind, truncated as it is to 13 games as compared to the Lions in New Zealand of 1950 (23 games), 1966 (25), 1971 (24), 1977 (25) and 1988 (18).

The threat comes from the world cups of 1995, 1999 and 2003 and, the possibility that a grand prize circuit might be arranged, if not by the rugby unions of the senior international countries, then by the senior players.

Tavare is a quiet, modest man, nicknamed "Rowdy" by his team-mates and inclined nowadays to play quiet, modest cricket, except sometimes in one-day games when he plays fiercely. He says he likes Somerset, to which he moved in 1988, cheered all the way by his Somerset-born wife.

In 1990, he took over the captaincy from his old Oxford friend, Vic Marks, and found his first year in office pretty tough. "I had to re-assess the captaincy. But things are better at Somerset now and we have some young talent coming through."

That young talent includes Harvey Trump, an enthusiastic off-spinner born in Taunton, and Mark Lathwell, a fearsome opening batsman. When Lathwell opens with Nick Folland they make an opening pair with panache. Both, like Mushtaq, were recruited bravely by Cottam.

Somerset are one of the few, precious counties (Derbyshire are another) for whom enthusiasm and style matter more than results. Good luck to them.

His grafting 148 net out off

Glamorgan's uninspired bowling was slow going, but invaluable to Somerset's eventual win. The lady next to me in the crowd gave a combined nod and shake of her head when Tavare reached his century with an elegant cut for four. "I like him to play his shots," she sighed.

Tavare likes it, too. He is a natural stroke player, as he showed for Oxford University and Kent in the 1970s. He explained, with a wistful smile: "I just fell into the dour mode because it was the best way to stay in the Test team. I know it's boring. Even I get bored sometimes."

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Soccer/Peter Berlin

## Taylor makes a rod for his back

**W**HEN THE Football Association's appoints a successor to Graham Taylor as manager of the England team the first question they should ask is: "Do you go fishing?"

While Taylor occupies the weeks between international

fretting about his opponents' strengths, Jack Charlton, the manager of the Republic of Ireland, goes fishing. While Taylor's team are performing in US soccer's rehearsal for the World Cup like understudies for a pantomime horse, the Irish are galloping like thoroughbreds towards a starring role in the show.

As Don Revie, Jack Charlton's old mentor, showed when he managed England in the 1970s, the obsessiveness which can be an asset for a club manager can be disastrous for a national one who has little time with his players. Revie overmanaged. Taylor has similar faults.

Taylor complains that the English league's fixture load damages his players. But Charlton and Terry Yorath of Wales, who must pick from a far smaller pool of players in the same league, have overcome this problem, while Taylor's selection policies have exacerbated it. Last summer, Taylor deprived Ian Wright of experience by leaving him out of the European championship.

Taylor set out this summer with three goalscorers: Wright, who had just eight caps, Les Ferdinand (two) and Teddy Sheringham (none). In three games each has played a half alone and a half with each of the others. The only untried permutation is all three at once. Even if Taylor does not know what his best attack is, common sense suggests he should stick with one combination.

Taylor often allows his opponent's to pick his teams. Against Norway, to combat an attack no better than most in the Premier League, he made four changes from the side that had drawn against Poland three days earlier and altered formation. He brought back

Gary Pallister after more than a year to partner Tony Adams for the first time, moved Des Walker to a position he dislikes and paired Sheringham and Ferdinand for the first time. He also asked winger Lee Sharpe, in his first full England game, to play in a defensive role. Time and again Taylor picks players out of position in the hope that they will do a bit of both jobs. It never works.

The job of an international manager is to find a formation in which the players he picks are comfortable. Against Norway Taylor created a situation in which they were uncomfortable and uncertain.

During Taylor's three years in charge the high morale built up in England's run to the World Cup semi-final in Italy in 1992 has gradually collapsed. There have been good performances, but recently only at Wembley inspired by Paul Gascoigne. Taylor discarded Peter Beardsley and Chris Waddle and drove away Gary Lineker. In their place he has a collection of players he has called "headless chickens". This recent habit of deflecting criticism by blaming the players only damages morale further.

On Wednesday against the US in Foxboro the England team gave Taylor a vote of no confidence. This was not the poorest performance of his three years as manager but it was the most depressing.

Taylor reverted to a familiar English formation. Each player was in a familiar position. The match started well. But when the US took the lead, England unravelled. Most kept trying. But the players self-belief ebbed.

Four times Wright, a particular victim of Taylor's vacillation in selection, found chances which he would have converted for his club. Three times he missed, once he even tried to pass - avoiding a responsibility he rarely shirks.

By the end England were no longer a team. They had voted with their feet. A quick way to restore morale is to replace the manager. Taylor should buy a rod, he may soon have a lot of time to go fishing.

Cricket/Teresa McLean

## Somerset's rustic joys

**D**OWN IN Somerset, it is a delight to see how much they like cricket. While there are only three first-class grounds - at Taunton, Bath and Weston-super-Mare - they attract good crowds. Pubs and hotels decorate their walls with framed photographs of cricketers. "You're never far from cricket down here," said the proprietress of our hotel.

The church just down the road from the county ground in Taunton goes further than that, proclaiming itself on its notice board as "St James next to the cricket." You even smell the game in Somerset because you are never far from cider - and cider sponsors cricket.

The Taunton ground is small, basic and welcoming, selling better cider than beer. It has a little museum with a wide range of exhibits, including one of Joel Garner's size-15 cricket shoes. Such fondness for the game is all the more remarkable since Somerset have never won the county championship. Their nature is to play at full tilt, erratically.

One-day cricket kept things cheerful, starting with victory in the Gillette cup and John Player league in 1979, the Benson and Hedges cup in 1981 and 82, and the NatWest trophy in 1983. In those five years Somerset became the rustic champions of big-hitting cricket, basking in the feats of their great west country heroes: Ian Botham, Viv Richards and Joel Garner, natives of Cheshire, Antigua and Barbados respectively.

Somerset always have had a strong sense of local identity, without letting Somerset ancestry or provenance cramp their style. The other day, I

watched their cosmopolitan team play a team from Glamorgan which had five Welsh players and several with Welsh accents.

By contrast, only one of the Somerset players, batsman Richard Harden, came from Somerset. The rest were imports, not just from elsewhere in England but, in the positively universal mode of numbers eight, nine and 10 in the Somerset line-up, from Pakistan (Mushtaq Ahmed), New Zealand (Andrew Caddick) and the Netherlands

(Adrianus van Troost).

So far, Mushtaq looks like a successful signing. Those who saw him removing England's spin-bowling last summer will remember how effective his leg-spin, peppered with googlies and wrong 'uns, can be on English pitches. He is the right kind of high-voltage cricketer to revive Somerset.

In turn, they are taking care to keep him happy because they are able to intermittent spots of bother with their overseas players. Last year, the South African all-rounder Richard Snell, was released after a feeble season: Australian Ken Macleay went home to take up farming; and Dutchman Roland Lefebvre was allowed to end his contract a year early.

I watched Lefebvre playing for his new county, Glamorgan, along with another ex-Somerset man, Richards. Som-

erset got rid of Richards and Garner after the 1986 season whereupon Richards' furious friend, Botham, also left. It was a bitter set of dismissals and departures and Peter Roebuck, appointed captain in 1986, fought to keep his team together.

In 1987, he was helped by the new overseas signing, New Zealander Martin Crowe, who was just what the county wanted: a devoted club man as well as a star batsman. When New Zealand's quickly-arranged tour of Sri Lanka at the end of the 1987 season was cancelled just as quickly, Crowe flew straight back, like a true son of Taunton, to play for his county.

Nevertheless, Somerset have lacked both inspiration and brute force since their one-day flourish a decade ago. Last year, they finished ninth in the county table, the first time since 1984 they have managed to get as high as half-way.

They got there in true Somerset style, with dramatic victories at the beginning and end of the season, a dead patch in the middle, and a rattling game against Pakistan - which they lost all ends up. Caddick's six for 73 on Somerset's behalf shared the headlines with Mushtaq's five for 46 for Pakistan, Mushtaq impressing his victims' talent scouts in the process.

Somerset recovered some of their sparkle last year under the dynamic guidance of their new director of cricket, Bob Cottam. It is to the credit of both that Cottam and captain Chris Tavare that two such different characters can work together, particularly as Tavare has been struggling to recover his form.

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## HOW TO SPEND IT

## Hello palefaces, found a summer wigwam?

Lucia van der Post has been looking at ways of sheltering herself and her cucumber sandwiches from the ravages of the weather

**N**OW THAT pale skins are the only fashionable sort to have, what every self-respecting garden, even British ones, needs is a refuge from the weather - if not the wind and the rain, then from the sun.

No doubt inspired by the depleting ozone layer and insatiable demands for all things horticultural, a whole host of companies is offering all manner of structures in which to shelter from the elements this year.

Some can be used as tranquil retreats in which to read and survey the landscape. Others are welcoming shelters from sudden showers and chill breezes. Others still can be shady bowers bedecked and embellished with climbing flowers.

They come in all shapes and sizes and with a variety of names. Of all garden structures gazebos have the least practical purpose. They are there simply to be beautiful.

They take their name (so The Secret Garden Company informs me) from a "waggish pretence of Latin learning", purporting as they do to be places from which to gaze. A gazebo, it seems, should be open and octagonal, hexagonal or square.

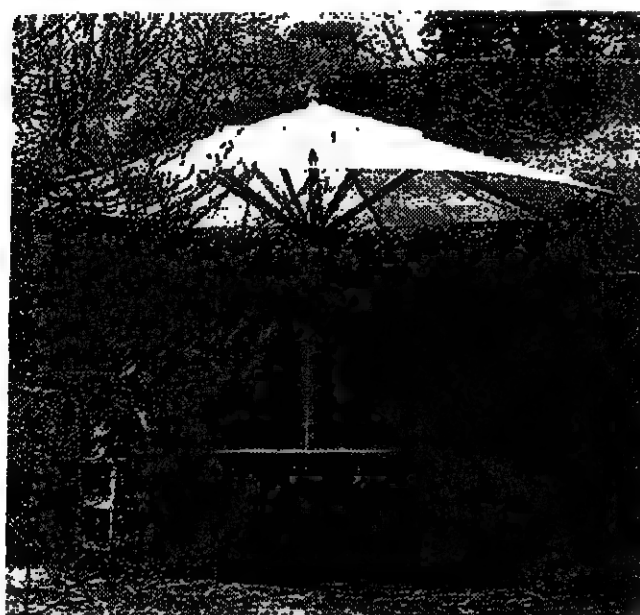
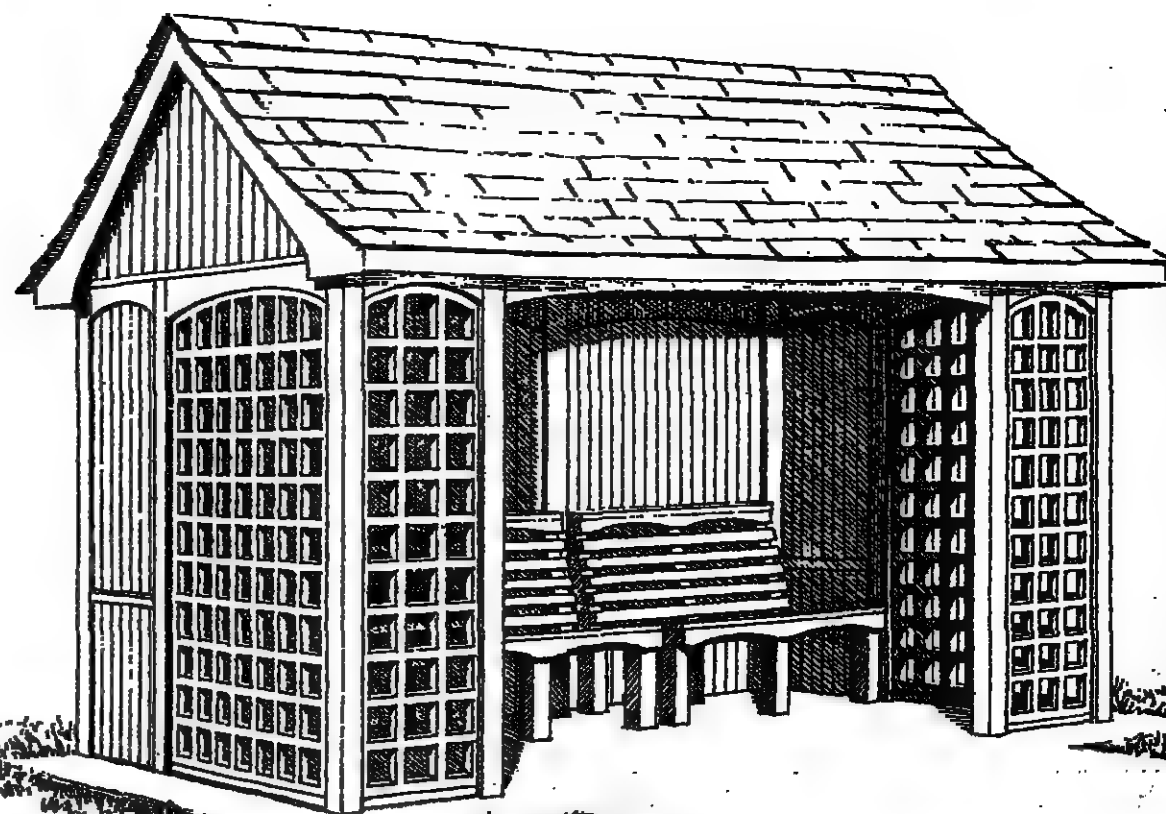
It requires a fine position and often can be heavily overgrown or intertwined with climbing flowers, with clematis and roses, with honeysuckle and ivy.

Pavilions, on the other hand, are designed to give shelter from sun, wind or

rain and are normally to be found beside swimming pools or tennis courts. From there you can take tea and sponge cake while watching a drama unfold on the croquet lawn or applauding a few sets of lawn tennis.

Summer houses are where you sit peacefully and quietly, reading, taking in the view, enjoying those leisurely afternoons where the sun always shines, there are cucumber sandwiches for tea, croquet on the lawn and punting on the river.

If you have a garden which could do with a bit more structural interest, or maybe needs a little embellishing or even furnishing, then here are just a few of the latest ideas around...

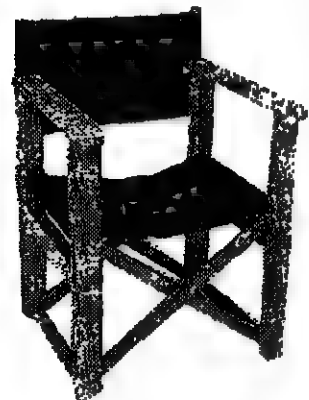


**Barnsley House**, as many readers will know, does several ranges of clean and classic garden furniture. It has now started to sell a new line of Italian sun umbrellas, complete with wooden poles and frames and cream cotton tops, pictured above.

Each umbrella also has double pulleys with nylon wheels and wind cowls. Not cheap, at £298 each, they are beautifully made and, to my mind at any rate, look so much more at home in an English garden than their more gaudily-coloured relations. They come in two shapes

and sizes - round (3 metres in diameter) and rectangular (2 m by 3 m) and both cost the same. There is a lighter-weight version, with a single-wheel pulley and with no wind vents, that looks nearly as elegant and is considerably cheaper at £145 for the 2.5 m size.

All can be bought by mail order from Barnsley House, near Cirencester, Gloucestershire GL7 5EE (Tel: 0285-740461) and there is a splendid full-colour brochure of all their wares on offer. The Barnsley House showroom is open from Monday to Saturday from 9 am to 5.30 pm.



**Chairs** are essential to the outdoor or conservatory life. Classic deck-chairs, steamer chairs and safari versions all have one important quality - they stack, which means they can be easily stowed when summer is over or when the space is required for some other purpose.

The Indian Ocean Trading Company has brought out a range of exceptionally sturdy folding garden furniture. All made from teak, the safari chair (£110) is photographed here left, but it also sells the other classics of the genre,



the steamer chair (with cushions, £420) and the deck-chair (£90). The fabric is a heavy-duty marine dralon, scotch-guarded and flame-proof, and comes in dark green, burgundy or cream.

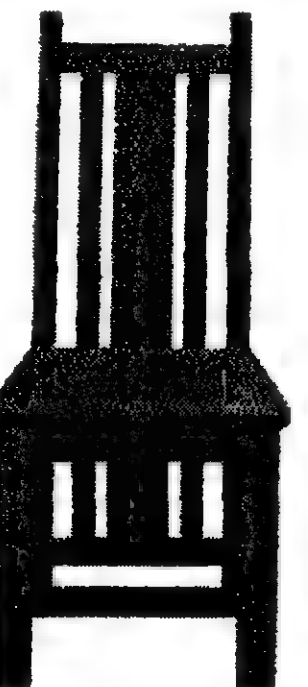
Indian Ocean Trading Company has a showroom at 28 Ravenswood Road, London SW12 9PJ but it will take orders by telephone (081-875-4908).

**Barnsley House** also has some wonderfully solid teak garden furniture - everything from armchairs to benches and this exceptionally elegant outdoor dining chair. Called the 'Tisbury', it is beautiful from almost every angle. The full length back makes it elegant from the back as well as from the front.

As with all Charles Verrey's designs much thought has gone into the measurements to make sure they are the right height for the tables they sell. As he puts it in the introduction to his catalogue: "If you have fought with dining chairs just too wide to fit as pairs around a table, or benches that won't fit under tables, then you will appreciate the care we take to produce

combinations which suit small and large spaces."

The 'Tisbury' costs £206. The brochure has many other options. Write to Barnsley House, near Cirencester, Gloucestershire GL7 5EE.



**Past Times** is a mail order company which, it will not surprise you, is heavily into nostalgia. This is not necessarily a bad thing. Some of its wares are charming and when it comes to gardens it has much to offer.

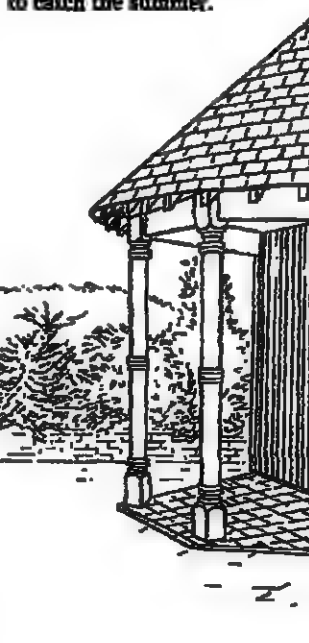
It has, this summer, produced a mini-catalogue devoted to the outdoor, horticultural life. The highly ornate gazebo pictured above is light, airy and romantic and made (so the catalogue tells me) in the 17th century tradition, all intricate and curly hand-made steel. Weatherproofed with a fashionable verdigris finish it is 3 ft high and 6 ft in diameter and sells for £265.

You will have to assemble it yourself - unless you have a really handy handy-man. Much less expensive, at £249.50, is the portable Edwardian pavilion. Some 6 ft by 3 ft by 6 ft high, it has a weatherproofed acrylic cover supported by a folding hardwood frame. Look out, too, for wooden garden chests (for keeping wellingtons and garden tools), for fine wooden croquet sets, steamer chairs and Versailles tubs.

The catalogue offers just one garden bench but it is a beauty - the Hatfield bench, reproduced from a classic design of about 1895 by J.P. White, who worked with

Gertrude Jekyll and Lutyens. Measuring 6 ft by 1 ft 6 in by 3 ft 2 in, it is made of solid unvarnished weatherproof teak, has a charming, delicate curving design incorporated into the back and costs £395.

**Past Times** has some 21 shops throughout the UK but these particular items are available by mail order only, tel: 0993-779444. Orders may take up to 28 days for delivery, so hurry, hurry if you want to catch the summer.



**The Secret Garden** company of Ware offers at least six different structures to embellish a garden. There are gazebos and summer houses, pavilions or octagonal houses, all made from sturdy timbers such as Western Red Cedar and Ghanaian iroko, with leaded light windows and solid brass furniture for windows and doors.

Six roof shapes and 17 panels are the basis of all the designs - whether a lightly romantic gazebo or a solidly protective summerhouse. Some, such as the gazebos, would look best carefully sited for views and vistas; others,

such as the pavilions, could be placed beside a swimming pool or tennis court.

The company delivers and installs the buildings but asks customers to provide the concrete base. Prices range from £2,500 to £8,000 - a hexagonal gazebo with open sides and iroko railings would cost £2,971 (including delivery, installation and VAT) whilst the rectangular pavilion pictured above costs £5,438.

For a leaflet illustrating the main designs write to The Secret Garden Company of Ware, Hemel Hempstead, Hertfordshire, SG11 0XN. Tel: 0920-462081.

**When Robin and Mary Ellis** wanted a summer house beside their swimming pool they remembered the lovely Kentish east house they lived in years ago and used its distinctive, pleasing lines as the basis of their own design. It was such a success, and so many friends wanted one, that they set up in business providing miniature east houses. A team of first class builders will put one up in two weeks once planning permission, site surveys and other boring necessities have been gone through. They are built on proper foundations and are more of a real house than a

summer house. Shiplap cedarwood is used for the octagonal walls and clay tiles for the conical roof. Douglas fir hand-turned pillars are on the veranda. The doors are either of mahogany or Douglas fir and come with brass or wrought-iron furniture.

The result, pictured below, could be used for a host of purposes - study, playroom, artist's studio, gym, home office. They come in two sizes - 12 ft or 17 ft in diameter, for £15,000 or £18,000 (plus VAT). Write to Robin and Mary Ellis, Runwood, Horseheath, Cambridge CB3 6QX (tel: 0223-862596) for details.

## Book Fairs

### A capital feast of fine reading

BOOK FAIRS IN LONDON IN JUNE				
Date	Name	Hotel	Time	Entrances
Friday 18	PBFA 1	Russell	2-7pm	£2 for catalogue
Saturday 19	PBFA 1	Russell	10.30-7pm	Catalogue Free
	Bloomsbury	Royal National	10.30-7pm	
Sunday 20	PBFA 2	Russell	2-7pm	Catalogue Free
	Bloomsbury	Bloomsbury	9.30-7pm	
	Bloomsbury	Royal National	10.30-7pm	
Monday 21	International	Cafe Royal	2-7pm	£5 preview
	Bloomsbury	Bloomsbury	9.30-7pm	Free
	PBFA 2	Russell	10.30-7pm	Catalogue
Tuesday 22	ABA	Park Lane	5-9pm	£15 preview
	Bloomsbury	Cafe Royal	9.30-4pm	Free
	International	Cafe Royal	10-7pm	£1
Wednesday 23	ABA	Park Lane	11-8pm	£5 for catalogue
	International	Cafe Royal	10-5pm	£1
Thursday 24	ABA	Park Lane	11-8pm	Catalogue

can sometimes intercept bargains on their way up the market. More expensive books are to be found at the International Book Fair at the Cafe Royal near Piccadilly Circus. The culmination of the week is the ABA Antiquarian Book

Fair at the Park Lane hotel in Piccadilly opposite Green Park. Now in its 34th year, this is a truly international event with exhibitors from the US, Europe, the Middle East, and elsewhere. Books to the value of £15m are on offer this year.

The tiny 32-page collection of poems of Wilfred Owen, which Sassoon published in 1920 and which was the start of Owen's fame, costs £335; the longer edition prepared by Blunden in 1931 costs £350 (from Martin). As usual there is a fine selec-

tion of colour plate topographical books priced in the low thousands. A splendid letter from Mary Queen of Scots instructing the Earl of Bothwell to hunt down rebels is offered at £28,500 (Wilson) - a few months later Bothwell murdered the Queen's husband and took his place. Susan Bilkcliffe offers a collection of catalogues of artists' materials of the 1890s, works of art in their own right, at £2,000. Especially appealing are two albums of songs and other music, discovered 15 years ago, transcribed in manuscript by Jane Austen and other members of her family for £21,000 from Finch.

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# Flower power for a very Nineties summer

The floral frock is back. But, says Avril Groom, the modern version is a long way from Laura Ashley



IT IS 40 years since Laura Ashley started making testaments and aprons on her kitchen table in London's Plumico and 25 since she launched the first of her printed dresses that were to alter the fashion perceptions of a generation of British women.

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This year, appropriately, the floral frock is back - but what would the late lamented Laura make of it now? She was designing in a tradition going back to the 18th century, fabrics from which inspired some of her flower-sprig prints. The tradition periodically surfaced in fashion until the 1920s. Historically it belonged as much to the milkmaid in simple printed cotton as to the lady in summer garden silks but, if fashion can be said to mimic television series, the Ashley look was aimed Upstairs rather than Down. It was essentially British, rural and, in the early 1970s, aspirational.

The floral frock's latest reincarnation is none of these. Now that design thinking deems it unworthy to look like a possessor of wealth, inspiration comes from the opposite end of the social scale. In this case that means either wartime flea-market Parisiennes with drooping cigarettes and clumpy wedge sandals, or East European gypsy refugees and their sanitised fashion equivalents, the neo-hippies in mismatched print layers.

The roots of this odd skew.

### City girls from Calais to Brindisi are wearing the concierge look

ing of a classic look are decidedly French. The young Parisian deconstructionists have embraced it enthusiastically, with designers such as Martin Margiela seeking out 1940s dresses to recut and mix with devastating effect. But the origins of it lie with the often-prophetic Jean-Paul Gaultier, a disciple of bondage corsetry and mannish tailoring who first showed he had a softer side with a memorable mid-1980s collection of faded flower-print chiffon overalls, aprons and lingerie lace, layered over his usual pinstripes. He called it *"La concierge est dans l'escalier"* and has said since that he has "the tastes of a concierge".

Now this is what everyone claims and, though Gaultier's look took some time to take off, by last summer every city girl in France and Italy looked like a concierge in a floppy, navy or black sprig-printed button-through frock worn with tennis shoes and tanned legs (still perfectly good styling for hot weather this year).

On the catwalk, printed overalls and turban-tied headscarves came even from that icon of 1980s success-dressing, Chanel. Add an injection of American grunge nostalgia and the resulting style makes you look, even if you inhabit a large country house, as if you

should wield the duster rather than the purse strings.

It sounds unpromising, yet this is a style with charm and practicality. The secret of making it look good is, as with so much of this summer's fashion, in the layering. Too often the traditional British floral frock does not tally with the traditional British summer climate and disappears under ill-assorted cardigans or coats. This year that is exactly what it is supposed to do, but naturally the results are best if it is thought through and co-ordinated first.

Colour-matched mixed prints, stripes and spots can look richly wonderful, if slightly Bohemian. A classic floral frock from last time round passes muster if you give some fresh thought to layering. Put a striped T-shirt or a skinny jumper under it, making it more useful on cooler days, plus another cropped or skinny knit on top. In warm weather, sandwich it with this summer's light, transparent layers such as a lace camisole, a loose chiffon shirt or a crocheted waistcoat.

Strappy dresses that will become sunfrocks in high summer can be layered pinafore-style for now. And why stick to one dress when you can wear two? A button-through frock can double up as a fluid coat, this season's favoured way of expressing softness and new-looking than a jacket. By wearing the dresses together or separately you also multiply your choices.

This need not be an expensive option. The floral frock is everywhere, from chainstore versions not much over £20 through the middle of the market to designer originals such as Ralph Lauren's fragile silk slip at £700-plus. The designer and gives you silk, chiffon, subtle prints and more swirly fabric for your money; the middle good shapes but a tendency to polyester; the chainstores offer still nice floppy viscose, though with a skimpier one-sized cut, shaped with ties at the back and, harking back to the 1940s originals, a resurgence of shoulderpads.

The comforting thought is that, after the passion for layers has faded, all these dresses will slide easily back under a plain tailored jacket to become the classic British summer look once more.

To show how concierge style suits gracious summer living, we photographed it at Llanggoed Hall, the Wye Valley hotel owned by Sir Bernard Ashley and decorated by his son Nick, former design chief of Laura Ashley. Here we show how, mixed with other good, simple pieces, the chintzy print can look softly elegant - just like the floral frock.



Top left: viscose georgette dress, £149 from Alexon, New Bond Street, London W1 and Debenhams branches. Silk cardigan, £140 from N. Peal, Burlington Arcade, W1. Piccadilly, W1 and Brompton Road, SW3. Polyester chiffon camisole, £19.99 from Knickerbox branches. Garnet and silver necklace, £210, garnet and gold-plate bracelet, £105, both by Barbara Bochs Nelson from Harrods, Knightsbridge, SW1. Harvey Nichols, Knightsbridge, SW1. Whistles branches, Moore and Co. of Windsor and Little Black Dress of Leeds. Shoes by Freerance, £99 from Plum Line, Neal Street, WC2. Above: silk chiffon dress, £120 from selected Laura Ashley branches. Silk rib knit top, £109 and cardigan, £159, both by TSE from Harvey Nichols and Harrods. Shoes, £85 from Red or Dead, High Street Kensington, W8, Neal Street, WC2, Manchester, Birmingham and Leeds. Hat (on bureau), £14.99 from BHS.



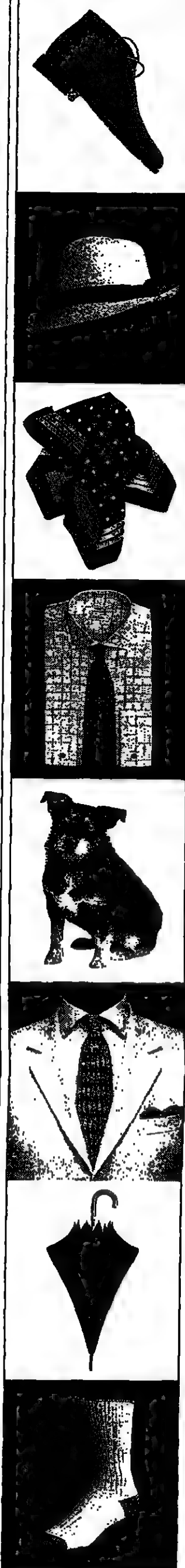
Top: viscose dress, £44.99 and tie-up blouse, £18.99, both from Oasis branches. Long crocheted waistcoat by Rina de Prato, £175 from Harvey Nichols. Espadrilles, £20 from Red or Dead. Hat by Herald and Heart Patterns: £25 from Fenwick, New Bond Street, W1. Umbrella by Totus, £19.99 from John Lewis, House of Fraser, Debenhams and Alders branches.

Above: silk dress, £350, and scarf to order, from Edina Ronay, Kings Road, SW3 and Harvey Nichols. Polyester chiffon blouse, £80 from Jagger branches. Crystal cross, £98 from Lalique, New Bond Street, W1. Espadrilles, £25 from Church's, New Bond Street, W1.

I have come to the conclusion that these days it has become too easy to be absorbed in the practicalities, and that one must take care to keep a place in our busy schedules for the life enhancing qualities of luxury, craftsmanship and a little fantasy.

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## TRAVEL

# Pools of plenty in a parched land

Namibia's water holes are a magnet for all forms of wildlife. Michael Woods reports

PEOPLE LINED the walls three deep, murmuring to one another with the hushed reverence of a religious ceremony, the anticipation of a theatre audience and the suppressed excitement of a rock concert. Floodlights bathed the stage and yet we did not know who would star, what the performance would be, or even if the show was to go on.

Then, soundlessly, a hook-lipped rhino cow entered the light followed by her calf. Silence fell at the sight of these rare beasts - followed almost at once by a restrained gasp, for they were trailed by a lion and a lioness. Then, to the rescue, came a male rhino, and the lions backed off. But, like all the best dramas, the hero's motives were far from pure: the rhino was more interested in having sex with the female than in saving the calf. Meanwhile, enter stage right a grinning jackal, head held high with a guinea fowl grasped in its jaws, before exiting stage left. Okaukuejo's water hole on a Saturday night is certainly the place for action.

This is the largest of Etosha National Park's three rest camps, and its floodlit water hole is a perfect way for people to enjoy exciting African mammals without being confined to a vehicle. Namibia's vast distances mean many hours on the road, and Okaukuejo came as a welcome break.

Etosha is best known for its immense white pan - acres of dried mud with a far-off glitter, as if from an incoming tide. It floods rarely, though, and then with water twice as salty as the sea. The wildlife is attracted to the many perennial springs along the pan's southern shore, and there is constant activity at these shrinking pools. Elephant families wash and drink with abandon, nervous kudu approach with infinite caution, and groups of ostriches drink alternately, their heads smoothly lifting and falling like the well-oiled parts of a machine, some scooping water while others swallow, watching for danger.

Once, an observant giraffe, staring from on high, located a skulking leopard slinking through the bushes on the far side of the water.

France-sized and with about 1m inhabitants, Namibia is still wild enough to have significant numbers of game outside its parks, and any water in this parched country draws animals like moths to a candle. We watched rare desert elephants pad in to drink at Palmwag and stay to browse the well watered grounds of the rest camp through the night. Many hundreds miles south, in the Fish River Canyon, a distant pair of olive kites perched on a rocky point danced nimbly down the smooth rocks to drink from one of the remaining pools on the canyon floor.

Prior booking and a doctor's certificate are required to walk this canyon, which is second only to the Grand Canyon in size. Walkers complete their five-day trek at Ai-Ais, a hot spring resort in the midst of the stony desert where the outdoor pool, as warm as a bath, discourages all but the laziest of strokes, while the two whirlpool baths are almost too hot for anything but



Zebras and a wildebeest gather at a water hole in Etosha National park, Namibia

a tentative toe.

Not all of the Namib is stony, though, and the Sossusvlei area boasts the highest dunes in the world. Lofy, and with dramatic peaks, their sandy faces are sheets of colour which, in the changing light, take on the pinks, creams, oranges and greens of ice cream, a strange sight for a desert.

The long ridges beg to be climbed and, labouring upwards over the shifting sand, I was suddenly aware of a profound silence. Conversations on a neighbouring dune over half-a-mile away were easy to hear. The ranges of sand roll away in all directions, apparently without life, although an occasional oryx with ribs showing through corrugated flanks somehow ekes out a living in this barren land.

Awesome though it is, this giant sand pit is also fun, and suddenly we were running and tumbling down the steepest face, though not with quite the same whooping abandon as the two Frenchwomen who followed us.

Diamonds were found among the sand grains on the surface of the Namib during the last century, and the mining town of Kolmanskop was established in the midst of the desert. For a time it flourished, its communal hall seeing plays and gymnastic displays put on by the fit young German immigrants living there. As the diamonds failed and the focus of interest moved towards the sea, the town fell into disrepair and is even now being drowned by waves of sand.

Another town which reflects Namibia's German colonial past is Swakopmund but, far from becoming a ghost town, it has just celebrated its centenary. Regarded as the country's premier holiday resort, it attracts the residents of a summer-baked Windhoek to enjoy its coolness and even its cloud. The chilling Benguela Current brings thick mists rolling in from the Atlantic to moisten the air; in the past, it also brought numerous ships to founder on the rocky western shore.

Swakopmund is almost more German

than Germany itself. Its colonial architecture has been lovingly preserved and, after the rigours of the desert, the pastries in its cafés and the Teutonic dishes to be enjoyed in its restaurants seem luxury indeed.

Although distances are great and the roads long, dusty and ruler-straight to the horizon, possibly 30 miles away, one of the joys of driving yourself in Namibia is the chance to stay on its guest farms. Unimpressive in appearance, Otjitambo turned out to be a gem. We dined on fresh produce, home-made bread and game shot on the farm, overlooked by a set of oryx heads collected specifically for the odd twists and turns to their normally slightly curved horns.

At dawn, we climbed a nearby kopje of rounded granite boulders adorned with grey-barked ghost trees to watch the sun rise; in the evening, we soaked the dust away in a deep bath fed by one of the two hot springs in northern Namibia. We stayed just one night, but a week

would not have been too long.

Michael Woods was a guest of Air Namibia and Namibia Tourism, which share a London office (tel: 081-543-8122; fax: 081-543-3398). Air Namibia flies directly from Heathrow to Windhoek, Namibia's capital.

Companies offering fly-drives to Namibia include: Sunvil Holidays (tel: 061-568-4499); Southern Africa Travel (0904-892469); Art of Travel (071-758-2038).

Driving on Namibia's tarred roads is easy. There is little traffic and driving is on the left. Great care is advised on dirt roads, however, and a maximum 50mph is recommended. You should carry water, extra fuel and at least one spare tyre.

Living is cheap with fuel at 30p a litre (cash only), restaurant meals with wine about £10 a head, and full-board accommodation £30 a night or less. Camping is simple with plenty of good facilities; equipment can be hired.

## Let down by tyre trouble

THE SPARE tyre, fitted after a puncture just six miles before, went down with a despairing hiss, a sharp stone sticking through its tread. We were 60 miles from the nearest settlement, Khorixas, on the bare ochre slopes of a dried-up river valley in the deserts of Damaraland.

I took off the offending wheel, dumped it with the punctured tyre it had already replaced and lowered the rear hub of the Kombi on to a large stone. There was no shortage of large stones. Then we sat in the shade to wait.

It was my lucky day. Within 20 minutes, a remarkably short time on these infrequently used roads, a couple of fellows drove up with two tyres of their own to be mended. They had left a second, crippled vehicle on the road behind us. Not only were they going into Khorixas and coming back but their estate car was fast, comfortable and air-conditioned.

We hurried into the tyre repairers. Fortune was still smiling for there was a bank opposite and I needed more cash to pay for the work.



Then it was discovered that one of my punctures could be mended but the other, the spare, had been so shoddily repaired previously that the stone had ruined the tyre. Fortunately, among the nine assorted new tyres on the rack was one that fitted the wheel, but at a cost of £100 - wine might be cheap here but rubber was certainly expensive.

With all four tyres repaired or replaced and inflated, the three of us returned in air-conditioned comfort to the desert and to our respective vehicles. Our new tyre lasted precisely 20 miles before puncturing. Lady luck was in fickle mood. But we limped to the garage in Khorixas once more, just in time to mend our third puncture before it closed.

A whole day had gone. But the following morning we were able to swap our Kombi for a 4x4 with tougher tyres. And the hire company looked kindly on our contention that the puncture in the spare supplied had been poorly repaired and refunded the money for the new tyre.

Michael Woods

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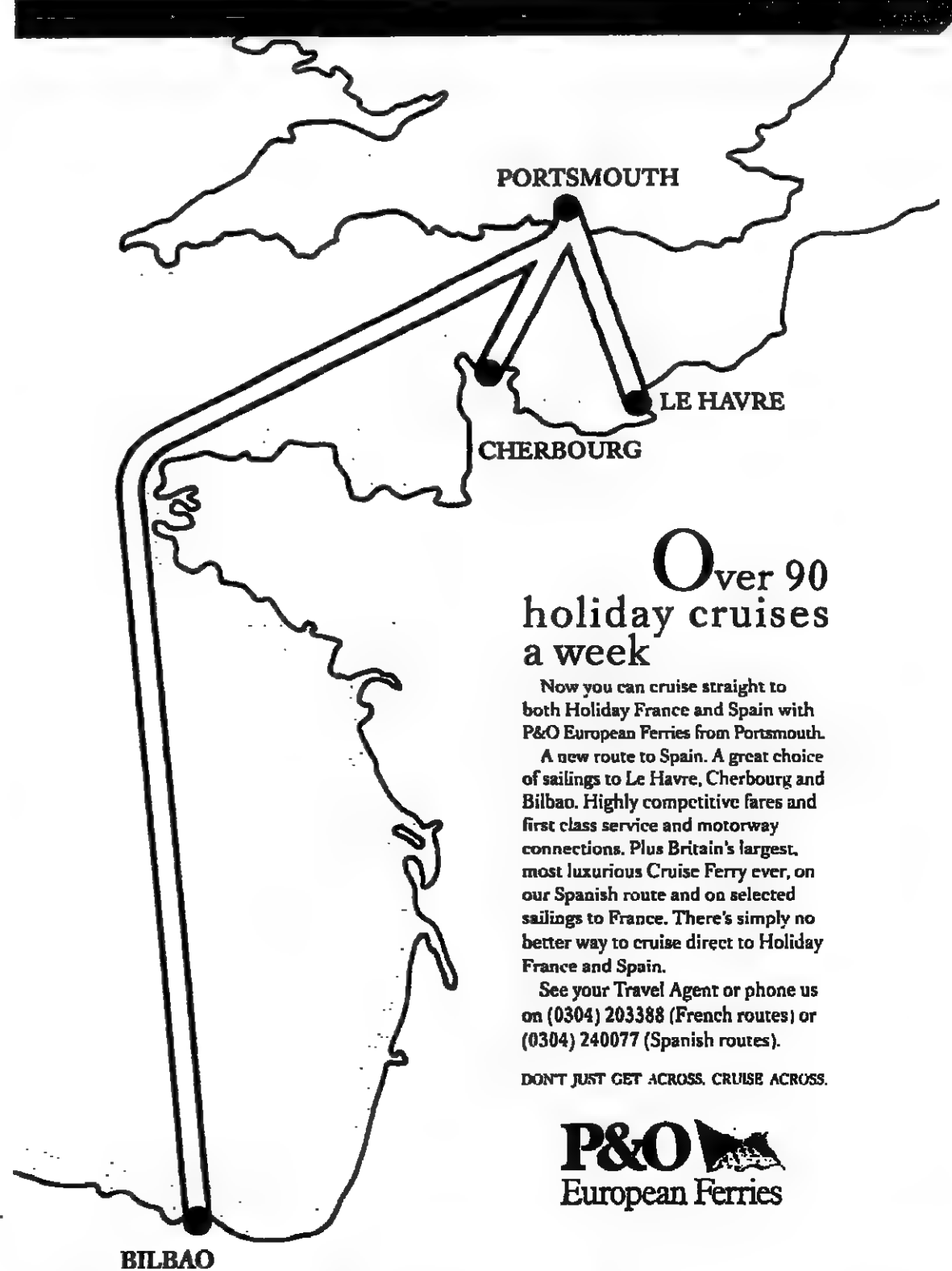
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## FOOD AND DRINK

## Shanghaied by Chinese shrimps

Kieran Cooke admits murder but claims there were mitigating circumstances

I AVOID dark places. I never swim. In restaurants, I always sit with my back to the wall, facing the door. A posse from POSS is after me. POSS, the Protection of Shrimps Society, is deeply upset. My crime? Eating shrimps. Live. While kicking and screaming, their little black ball eyes still quivering. A trial has been called for. At the very least, am in for a ticklish assault by a thousand shrimps. It is not a pleasant prospect.

I plead guilty to the charge, but there are mitigating circumstances. My crime was not premeditated. The shrimps forced themselves on me. There were also deep confusions of language and culture.

It was in China - Shanghai to be precise. Lunchtime, and hunger is gnawing at the system. A likely, if slightly scruffy, restaurant on the corner. I navigate my way across the street. "What", says the smile-

ing lady of the restaurant, "would you like?" My Shanghai dialect is a trifle rusty. I try a few words. A crowd gathers, trying helpfully to interpret. "What is he talking about - has he a pain in his stomach?" "Now he's waving his hands about. He's pretending to be a fish. Foreigners are peculiar."

Finally, the light dawned, or so I thought. Yes, I would have the soup, the fish, the dumplings and some rice. Everyone seemed overjoyed at this linguistic breakthrough. Handshakes and eternal friendship pledged between the Chinese and Irish peoples.

I sit back and wait. The fish arrived, big enough to feed six, its gaping mouth stuffed delicately with coriander and baby tomatoes. The dumplings were next. Dumplings, or *jiaozi*, are something of a Shanghai specialty. Steamed or fried, dipped in a little chilli, they slip down the gullet

with consummate ease. My stomach put up the green flag. All was well.

Some thin slices of pork followed, served on a bed of stewed jellyfish. Just like eating rubber bands. Takes one back to one's schooldays. All remarkably good. Some soup - made out of chicken broth with wild mushrooms. The amber flag is going up. The stomach says it is reaching capacity. A gulp of the local, very good, beer to stabilise things.

A traffic policeman sits down, wearily, at the next table. Poor man, he must go home each night with a thousand bicycle bells ringing in his head from Shanghai's 7m bicycles.

A covered dish arrives. A few beads turn to watch. I lift the cover. And this is where the trouble with POSS started.

Inside the dish were about 50 small, dark-looking shrimps. Not

just alive, but doing trampoline exercises. Leaping and somersaulting all over. The restaurant lady darted forward quickly and replaced the cover.

Shouldn't they be cooked, just a little? I asked. No, she said emphatically. These are a Shanghai specialty. If you even show them a wok, all their flavour will go.

But how do I eat them? The lady obliged. You simply pick one up with your chopsticks, dip it in the sauce - a mixture of Chinese wine, dark sauce and chilli - and then bite it, just there, behind the head. Then you suck away, leaving behind only the shrimp's empty armour.

Even the bicycled-out policeman had turned to watch. Too late to turn back now. A challenge. A stiff upper lip and firm grasp of chopsticks was called for.

I lifted the cover. Shrimps cartwheeled out. I caught one and

dipped it in the wine. Presumably, the shrimps are supposed to enter the next world happily sozzled. Not so this one. Halfway to the mouth he did a triumphant flip, flicking Chinese wine into my eye while disappearing somewhere behind my left ear.

Guffaws from the restaurant. An old man wiped the tears from his eyes. A young girl giggled until her cheeks were abloom.

I tried again. Success. And here I have to make a terrible admission. The shrimps were very good. The best I have ever tasted. Sweet yet bold, with a heady piquancy about them. But eating all of them was a tiring business. The stomach had put up the red flag long ago, but no matter. To leave one shrimp would have been a grave gastronomic sin.

Of course, none of this goes down well with the POSS gang. The consumption of live shrimps is all right, it seems, for the Shanghai-



nese. But if the habit spreads to the west, then all of shrimp society, as we know it, could be undermined. I have sent POSS pleading letters. I was hungry, I said. I was ignorant. The shrimps were happily drunk. I have promised to confine

my live shrimp-eating to Shanghai. I will not tell a soul about how wonderful it all was. But will POSS listen? I sense their little black eyes searching for me, their little legs swimming ever closer. They are an unforgiving lot.



Thomas Henkel: making a hobby of dining out

## Labour of gastronomic love

Nicholas Lander considers a very individual food guide

I SAT opposite my guest at a booth in Bentley's in the west end of London and for the next two hours we talked restaurants.

There was no overt criticism of any particular establishment as there might have been if my guest had been a restaurateur, nor were there any of the guarded comments that can often be exchanged by two restaurant writers keen to protect information and sources of gossip.

But, in spite of my own enthusiasm and knowledge of restaurants, after our talk I knew that I had met my match. My guest, Thomas Henkel, a 44-year-old senior manager with Conoco, who manages its 270-strong fleet of chemical tankers from the gastronomic wasteland of

Wilmington, Delaware, had been to more restaurants, hotels and bars than most people in the food business.

And he had catalogued them all. Since he took up this hobby in the mid-1980s he had compiled a computer list, based on visits to more than 600 American eateries. Then, in late 1987, in a move which he described as one of the greatest pieces of good fortune in his life, he had been transferred to London when the American dollar was strong.

He was quick to take advantage of all that Britain could offer and then, when his job expanded, he travelled widely abroad. After 4½ years his word processor contained 1,789 entries including 1,001 on the

UK, 62 on Germany, 39 on Spain and 87 on China and 19 on Tibet, part of a holiday Henkel organised with the proviso that he organise all the meals personally.

Since his return to the US Henkel has put together another list containing more than 800 American entries so that his total now stands at just under 3,000. Each entry gives all the usual particulars, the bill's total, a recommended table or room, a short, descriptive note and a rating out of 10.

His rating philosophy is based on an amalgamation of food, service, ambience and most importantly, he believes, an appreciation of what the restaurant is trying to be. This allows him to rate a good local bistro on the same basis as a fine res-

taurant. Top marks go to Comme chez Soi, Brussels, to Schiffchen, Düsseldorf, and L'Arlequin in London. Bottom of the class is a pub in London's West End and a bar in Texas. Finally, there are four graphs highlighting restaurant costs, cuisine types, number of visits per week and restaurant locations.

Although Henkel is aware of the commercial possibilities of his guide he is reluctant to pursue them at present. He enjoys his job with Conoco but says compiling the guide is a hobby which has made him a worldwide network of friends.

For a copy of Thomas Henkel's Guide send a self-addressed envelope to 16 Fox Hill Lane, Greenville, Delaware 19807, USA.

## Wine or the grape: that is the question

SERENA SUTCLIFFE, head of Sotheby's wine department, was describing, at a discussion over dinner with the CIVB, the official wine organisation of Bordeaux, how difficult it is to persuade "what I call The Ordinary Wine Drinker" that he should drink basic Bordeaux rather than Bulgarian Cabernet.

"I wonder", she asked, looking deep into the president's eyes, "would it be possible for you to put a bit more *flavour* into your wines?" The officials dutifully took notes and presumably, after a few dozen committee meetings, an instruction will be sent to the Entre-Deux-Mers region which provides so much ordinary Bordeaux. Hold the subtlety.

The French in general, especially the Bordelais, are feeling particularly sensitive about competition from other countries at the moment - not least because their wine exports have dropped for the first time in a decade. The CIVB conceded one important point over this recent dinner in London. We managed to convince them of the folly of their stated party line that "Bordeaux should not be judged in the same league as New World wines... the criteria used need to be different". But they are determined to play according to different rules from the New World.

French appellation officials have decided to ban the names of grape varieties from wine labels. The theory is that once they start selling their wines as, for example, Chardonnay and Cabernet Sauvignon instead of Chassagne-Montrachet and Pauillac, then they agree to play the same game as New World wine producers and throw away their trump card: geography, or *terroir*. They are banking on the fact that, as far as geographical wine names go, they are centuries ahead of the Americans and antipodeans in terms of brand development.

But what is the most sensible way to label a wine? Until the perfect grape variety is found for every plot of vineyard and all wine drinkers know what that is (and we are a very long way from that), information about grape varieties is genuinely helpful to the modern consumer, even if printed in much smaller type than the name of the wine's provenance.

The French may find that their place-based naming strategy works

in the long term, but only if they are serious about improving quality in the lower ranks, which they tend to translate directly as curbing yields. (And this should certainly help to "put more flavour" in the Entre-Deux-Mers wines - although some parts of the region may be simply too cool to ripen red grape varieties fully anyway.)

What would you surmise from the word Tarrango on a wine label, for instance? This red in a burgundy bottle, new to Britain's shelves, may sound Latin American, but in fact it is from Brown Brothers, a 104-year-old family company based in the Australian state of Victoria.

A closer look at the label under the "Limited Production" stamped on to the label (which sets one thinking about how many wines are available in infinite quantity)

**Jancis Robinson**  
considers another  
New World versus  
Old conflict.

reveals that TARRANGO is a new Australian grape variety, designed to yield light Beaujolais-style reds for summer drinking. At £4.45 from Waitrose it seems a good buy to me, with lots of fruit, no tannin, and something reminiscent of South African Pinotage about the aroma. Ironically perhaps, this specially-bred wine variety has in fact been named geographically, after a small township in Victoria.

The Bordelais may never feel seriously threatened by Tarrango, but the sensible ones are monitoring closely (or even participating in) what is happening just three hours down the autoroute in the Langue-doc. Many of the region's best buys are Vins de Pays labelled by grape variety, tolerated if not encouraged by the French appellation authorities, but more and more exciting Corbières and Minervois appellation wines are also emerging.

DOMAINE DES PENSEES SAUVAGES is a small property in the rugged heart of the Corbières run by British emigres Nick and Clare Bradford. Mirroring what the typical Brit thinks of English winemaking, I had never sought out the wine, but a bottle of their regular 1991 tasted recently was extremely

impressive: subtle (the Bordelais need lose no sleep), rewarding with food, and clearly made from old vines with care and passion. The 1991 costs £4.50 from Ben Ellis of Brockham, Surrey (0737-942160) which also has the 1991 Reserve. The 1990 is just £4.75 from Abbey Cellars of Yeovil, Somerset (tel: 0535-76225).

The most useful bit of information on most wine labels is of course the name of the producer. There are few producers who could persuade me to part with £7 for a bottle ranked only as a *vin de table*, the lowest French wine rank, but the small print on the label of LES COLLINES DE LAURE 1991 carries the name Jean Luc Colombo, one of the Rhône's most energetic and user-friendly oenologists. This excitingly vibrant red is made from his Cornas vines too young to qualify for the strictures of the Appellation Contrôlée authorities and offers a superior Syrah-with-a-story for drinking this summer (£8.75 from Adam Bancroft, 4-7 Great Pulteney Street, London W1 071-494-9818).

This young Master of Wine specialises in Under-appreciated, Eastern France. His VDQS Côtes du Vivarais 1990 from MAS DE LA BEGAUDE is staggeringly powerful and ambitious for £5.58, and knocks spots off the average supermarket Châteaufort-du-Pape. A wine to be drunk or kept, but certainly a name to be watched.

The name Denis Dubouche on a white Bordeaux label should alert wine insiders. LE SECOND DES ETOILES 1989, £6.49 from Oddbins, is marvelously fruity, an adjective all too rarely applicable to dry white Bordeaux in my experience, although 1992 whites are better than most. Pomerol and Michel Rolland is another insider combination, and Oddbins again have his well-structured, full-blown generic POMEROL 1991, in fact his declassified Ch. Bon Pasteur, at £7.99 which is also ready for the dinner table.

Finally, evidence that the Spaniards at least are prepared not just to countenance international competition, but to take inspiration from it. Sainsbury's has the cleverly crafted, barrel-fermented NAVARRA VIURA-CHARDONNAY at just £3.99, perhaps too easy for some palates, but a creamy full-bodied combination of one local and 90 per cent of another distinctly international grape variety.

## A passion for perfect cheeses

Giles MacDonogh meets a woman on a serious food mission

MORE THAN any other foodstuff, with the possible exception of meat, cheese requires the most careful handling on the part of shops and supermarkets.

In the smaller supermarkets cheese presents a problem: swaddled in plastic and kept at maturation-inhibiting temperatures, the cheeses are robbed of any qualities they might have ever had. They might as well be used for cooking, for as often as not, attempts to coax them back to life by keeping them in a warm room fail absolutely.

Few things depress me as much as the sight of a secretary scurrying back to her office from the local supermarket clutching a piece of "Brie"

(generally from the Allgäu in Germany); a cheese which has never ripened and which never will, and which resembles in no respect the rare and remarkable cheeses which are still made in the Brie province in north eastern France.

From the depths of these black thoughts, it is wonderful to learn that there are still a few people who feel passionately for "real" cheese and who are ready, even in these times of cheese-stifling health regulations, to open a shop dedicated to the very best of European cheeses. One such person is Patricia Michelson of La Fromagerie in Highbury, north London, a shop which opened just two weeks before Christmas last year but which has already proved the most exciting new cheesemonger to appear in the capital since the launch of the Neals Yard Dairy in Covent Garden more than a decade ago.

This is not the first time that Patricia Michelson has come to the attention of this page. A few years ago she started a wholesale business which she operated from her garden shed. This tiny, 10 ft square shop, however, has been her first chance to offer a selection to

the public as a whole. They have certainly taken her up on it: as I sat interviewing her on a weekday evening, desperate cheese-lovers scratched anxiously at the door. On a normal day she can accommodate them: she is often open as late as 9pm.

The minuscule shop is already under sentence of

**Truffle cheese is best crumbled over risotto and scrambled eggs**

death, as the authorities want to turn the site into sheltered housing. Patricia is unworried. She already has her eyes on another premises across the road, and once the building work is finished she will get her old shop back, which she will turn into a charcuterie, selling hams and sausages.

Even now La Fromagerie finds space for good bread (including the tooth-shattering loaves of Lionel Pollan); Tuscan and Umbrian olive oils; pulses; sun-dried vegetables; honeys; and delicious raw-milk

butters from Normandy and the Charentais. She also has a wide selection of olives which she makes up herself using recipes from around the Mediterranean.

Naturally the chief thing is cheese. Patricia was switched on to cheese by skiing holidays in the Savoy where she met the great cheeses of Franche-Comté as often as not made from the milk of the wonderfully named Abondance cow.

French cheeses are her first love, but the shop has much more besides. She is a hard woman to catch out: there are pungent, washed-rind cheeses from Belgium; mountain cheeses from Italy; Dutch and Swiss cheeses; great blue cheeses from the British Isles; all arranged in such a way as to encourage their ripening, so that here, in a great French cheese-shop, you may stipulate the precise day on which you intend eating your cheese.

Nothing is bought from the London trade. The purchases are all made in the country of origin. This ensures that many of these cheeses are available nowhere else. Here are a few of Patricia's specialties: ■ Parmigiano Reggiano (Parma) from Italy. The "Stra-

vecchio" or "very old" is a white, winter milk cheese of the sort valued in Parma itself (£9.30 per lb). This should be placed on the cheese board and not grated. For grating there is a 1990 Parmesan (£7.30).

■ Asiago from the Veneto in Italy. This hard cheese is often confused with Parmesan. It has a nutty flavour and a good tangy finish (£5.70).

■ Truffle cheese from Piedmont in Italy. This is half goats' milk and half cow with a natural rind. This is a remarkable cheese with a very powerful truffle aroma. Patricia thinks it is best crumbled over risotto or scrambled eggs and eaten with a glass of champagne. It costs £16.00 per lb if you want real pieces of white truffle, or £14.60 for the cheese made with truffle-essence.

■ Beaufort from Savoy (France). This two-year-old cheese is Patricia's pride and joy. The texture is already granular. This is a highly pungent cheese and requires a good glass of wine (£10.40). ■ Brülol from Belgium: a washed rind cheese of the Maroilles type. These cheeses are not for the faint-hearted. A similar cheese from Lille goes by the name of "Le Puant" (the



Patricia Michelson: her purchases are all made in the country of origin

stinker). Eat with real ale (£7.50). ■ Wensleydale from England. This cheese is made from half ewes' and half cows' milk just outside the famous Dales region but using traditional techniques which made the Dales famous (£6.10 lb). (The

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## PROPERTY

# Wherever there's a polo field...

*In spite of the recession horsey pursuits are still popular, as Gerald Cadogan discovers*

**H**ORSES are expensive luxuries, needing swathes of grass, special food, shelter, tack, medicine, and clothes for themselves and their riders. And when Lloyd's losses loom large, giving up equine pastimes is an obvious economy.

Yet, horsey pursuits retain their popularity in Britain, in spite of the economic downturn. And while prices for properties with stabling have suffered in the recession, like everything else, the market for them will survive so long as people race, hunt, jump, trek, play polo or drive carriages.

It is not just Britons who are keen on such properties. Earlier this year, Strutt & Parker sold the late Jim Joel's stud at Childwick, Bedfordshire, to the Swiss connections of the Portuguese owner of The Fellow (the beaten favourite in the Cheltenham Gold Cup). And John D. Wood reports that a potential Italian buyer has just viewed Sylvandene in Surrey the top-notch equestrian centre of David and Marion Mould. The guide price is £450,000.

Several stud farms are on the market. Christopher Stephenson, a specialist in racing and bloodstock properties, and Woolley & Wallis are offering Woodminton Farm for around £750,000. This is under the downs west of Salisbury, Wiltshire, and where Major and Mrs R.B. Kennard bred Cadeaux Genereux and Smarten Up.

Stephenson also offers Jevington Place near Eastbourne, Sussex, at the same price (down from an original £1.1m) with its acreage reduced slightly. Its smart yards with 45 loose boxes, barns in Sussex-style



Dover House: the home...

knapped flint and brick, paddocks with post-and-rail fencing, and position next to the church make an attractive proposition. Another in Sussex is Burrell Farm, near East Grinstead and Gatwick airport. It has 21 acres and an immaculate and practical six-box yard, offered by Jackson-Stops at £675,000.

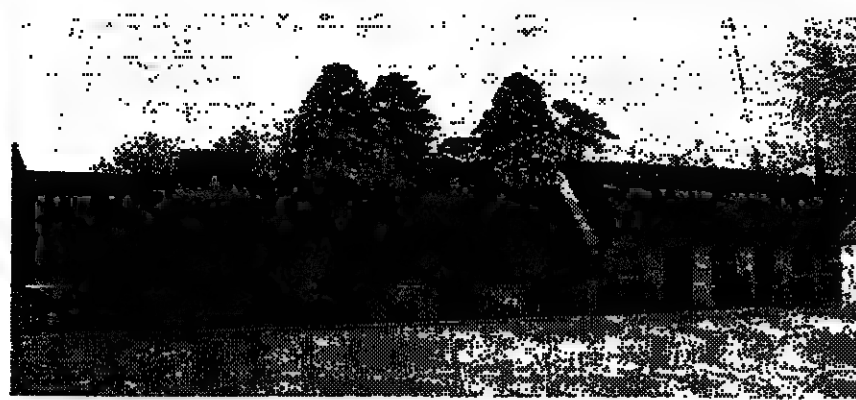
Outside Newbury, Berkshire, Savills is selling the Woolton House estate with its Supreme Court, which took the first King George VI and Queen Elizabeth Stakes at Ascot in the Festival of Britain year (1951) in the colours of Vera and Thomas Lilley (of Lilley and Skinner). After he died, she married Colonel Roger Hue-Williams. Theirs was the heyday of the stud in the 1950s and 1970s.

The whole is priced at £3.25m, or is

available in lots. The big house (in one lot) needs work but would make an excellent base for racing and entertaining, as it did for the Hue-Williams. The dilapidated subsidiary house that goes with the stable yard (another lot) is an 1880s villa - a potential delight if re-done completely.

Neither house is listed, which will make it easier to alter them, and both have fine trees screening them from the road.

In Cheshire, the Rookery Park stud near Nantwich is on offer from Lamont (with Stephenson) at more than £1m; it has 29 loose boxes and six-furlong gallops. The house was built in 1887 in half-timbered style. In Hertfordshire, Mullucks Wells (with The London Office) has the Blake-ware stud with 18 boxes and a listed Victorian Gothic building that used to be a coach house. Price: around £695,000. For



... and the stables

£100,000 less (from Bedford and Savills) is the Tally Ho stud near Bury St Edmunds in Suffolk. That is the price for the peach-painted Regency house and garden, but the yard with 15 boxes is a further £185,000.

Dover House near Malmesbury, Wiltshire, with two yards and paddocks, makes a good base for hunting with the Beaufort. Lane Fox offers it at around £495,000. Near Cheltenham, the same agent has Rossley Manor, an old Cotswold house with stable yard, grazing, and holiday cottages that produced an income of £25,000 last year. The price without the cottages is around £750,000. In the same region, Hamptons is selling Little Park at Wootton Bassett in Wiltshire; this boasts a cross-country course built in 1980 by the same people who constructed the course at

Badminton. The house is 17th-18th century, with 382 acres, and the price (over £975,000) includes a first-rate shoot.

In Hertfordshire, Coltsfoot Farm at Datchworth has six paddocks and 30 boxes, for around £495,000 from Strutt & Parker. It could make a good base for the growing practice of do-it-yourself livery, where the box is let out at a typical rate of £30 a week.

If your dream is a training yard, Lambourn on the Berkshire Downs runs Newmarket a close second. The gallops are owned privately and maintained superbly. Trainers pay £52.50 a month plus VAT per horse - racing on the flat - to use them.

In the centre of the village, equestrian property specialist Pilgrim Bond offers Bourne House, a 41-box "town yard" (last used by Nicky Henderson) for £360,000. On

the edge of Upper Lambourn, Lane Fox has Charlie Brooks's yard at Uplands, with 58 boxes, for around £360,000.

If dressage is what matters, Addington Manor near Winslow (of Great Train Robbery fame) in Buckinghamshire is where Lady Inchcape has created the top dressage centre in the UK. It is new on the market (from Strutt & Parker and Savills) at over £2.75m.

Another "seriously rich" property in the county is Great Hundridge Manor near Great Missenden, a Grade II house with 628 acres, 28 boxes and 10 paddocks for around £3.5m from Knight Frank & Rutley.

But the top priority for many people is a paddock for the children's ponies. Keep your eye on the local newspaper but expect to pay considerably more than the usual prices for agricultural land - even £3,000-5,000 an acre. Renting on a grazing agreement is likely to be £50-£80 an acre.

**Further information from:** Bedford, Bury St Edmunds (0234-789999); Hamptons, Marlborough (0678-513471); Jackson-Stops (071-499-8291); Knight Frank & Rutley (071-629-8171); Lamont, Nantwich (0270-624441); Lane Fox, Cirencester (0285-653-101); The London Office (071-439-3900); Mullucks Wells, Bishop's Cleeve (0779-755400); Pilgrim Bond, Lambourn (0488-72911); Savills (071-499-8644); Christopher Stephenson International, Newbury (0635-528555); Strutt & Parker, St Albans (0727-40285); John D. Wood (071-493-4106); Woolley & Wallis, Salisbury (0722-321711).

**H**OUSE PRICES continue to stabilise. At the bottom end of the market, the Nationwide index of the average price of houses - for which the building society give mortgages - shows a slight rise in May of 1 per cent, for the third month in a row.

The Halifax index shows a 1.3 per cent decline. The figures are still 6.5 and 3.3 per cent down on May 1992, underscoring the point that any property must be reasonably priced - in 1993 terms - to sell.

Buyers at the top end "still want to be predatory", says Savills' Justin Marking. They must feel there is some "give" in the price. A house priced too highly will deter viewers.

Vendors are starting to offer houses, he finds, two months later than usual in the annual cycle. It took until until spring for confidence to pick up and may mean that the early summer buying season will continue through the August lull.

Another market indicator is the purchase by an overseas buyer of 4 St James's Square in Mayfair, London, at

## Cadogan's Place House price stability continues

close to the guide price of £3.5m freehold. Conversion from business use to a house will cost another hefty sum. The agents were Wetherell and Herring Baker Harris.

Built in 1725, the property was the home of Nancy Astor, Britain's first woman MP, and then of the Arts Council, before becoming temporary law courts and finally the seat of the Employment Appeals Tribunal. It comes with garden and mews. In the mews are three cells and a slaughterhouse.

Green-minded readers looking for a place that is undeniably different should visit what is virtually Britain's southern mainland limit, the Lizard, in Cornwall.

The National Trust in Cornwall (0208-74351) is offering a 99-year lease on

the old signal station on Bass Point at over £85,000 (but no ground rent) to buyers who will pay for the repairs.

Shaped like a Norman castle keep, Signal House looks out to sea on three sides and was built in 1873 for spotting ships and communicating with them by semaphore as they entered the Western Approaches.

Telegraph operators sent details of the vessels to Falmouth; from there, they were forwarded to Lloyd's in London and to the owners, who could send back their orders. This meant the ships did not have to put in at Falmouth. By 1877, the station was dealing with more than 1,000 a month.

As a residence, it has four bedrooms, an observatory-landing and a rooftop sun-deck with complete privacy. But attitude

is as important as price; the Trust has battled to conserve the Cornish coast for many years and wants buyers of like mind.

Attitude matters also at The Cottage in Charlton, near Banbury, a village house which is being offered as a furnished let.

It has 10 bedrooms, three tennis courts and a panelled dining room modelled on the senior common room of Merton College, Oxford, all put together by a noted barrister and politician, Frederick Smith, who became the first Lord Birkenhead.

The tenants must cooperate with his family on using the tennis courts and holding the annual village fête in the garden. The guide rent on an assured short-let of three to five years is £30,000, to include some daily help, a gardener and

access to the estate.

Grazing, stabling and full livery for horses, a kitchen garden and rent of a cottage are negotiable extras. Details from Lane Fox in Banbury (0295-273592).

Across the road from Hampstead Heath in north London, Schreiber Developments has just completed Temple Heath Lodge in Templewood Avenue; there are four well-planned apartments on 125-year leases at around £1m (through Goldschmidt & Howland, 071-435-4404, and Saville, 071-431-4844).

The joinery of rare quality is right for a firm that began by making furniture. The flats look over to the heath and the rich, red brickwork of Hampstead's roofs.

Next door are Schreiber's offices, designed by James Gowan 30 years ago

and rated one of London's best post-war buildings.

Another distinctive 1980s building is Copel Manor House near Thurbridge Wells in Kent, designed by Michael Mansour for the site of a demolished Victorian pile.

The house is a glass pavilion and sits on the arched terrace of the old house, surrounded by a large, terraced garden of 3.5 acres brought back from wilderness by landscape architect Bodan Gryffyd. The rhododendrons and azaleas are splendid. Jackson-Stops (071-499-8291) offers it at a guide price of £385,000. Clearly, one for gardeners.

Tom Fort on fishing property, Page XVII

### Correction

In last week's article on Italian property, the house pictured was captioned incorrectly. It is in fact "Imbrotone", priced at £375,000 through Brian A. French and Associates, of Knaresborough, north Yorkshire. Tel: 0423-567047 or 0423-866882.

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## GARDENING AND PROPERTY

## A climactic year of marvellous muddle

As his garden rapidly blossoms, Robin Lane Fox is already planning his strategy for late summer

FLOWERS have run riot and gardens are on an all-time high. I cannot remember such a year or such a week. If you dither you will miss it, like all such peaks, and will end up wondering what it all meant. Quite simply, everything has come to a climax at once and I have never seen the equal in 35 years' hard gardening.

In the old Tory heartlands, gardens used to peak between June 20 and July 10. The heartlands are becoming wetlands, but the change is not the reason why the calendar has been brought forward. A cold, wet May delayed plants which had been brought to the threshold by the mild winter and favourable spring. The recent sunshine has been like a trigger, setting off the late-comers and bringing the front-runners into early flower so that both have collided.

I see the evidence all along the big double borders of my Oxford college. These are meant to span three phases but have run at least two into a single, unprecedented show. Against the background of annual examinations and academic stress, I have been walking contentedly down clouds of blue catmint, delayed pink and white lupins, double white peonies, retarded abutilons, accelerated mauve buddleias, clouds of pale purple

thalictrum, and day lilies which are a month ahead of themselves. Among this extraordinary collision, there are irregularities which I do not pretend to understand. Almost all of the old-fashioned roses have burst into hundreds of flowers about three weeks before their usual date, while the wild species seem to have obeyed their calendar and gone no faster than in a normal season.

We have the extraordinary sight of mid-summer roses - like the wonderful pink Fantin Latour and the best of the pink and white albas - in full flower beside the neat little clusters of Scots Bunsel rose bushes which are usually the prelude to the heavy French varieties later this month. Meanwhile, the modern bush roses and hybrid teas seem to be following their usual rhythm.

Is it, perhaps, that the old-fashioned varieties appreciate a mild winter and have been brought into full bud by the first adequately wet spring for three years? I cannot see other good reasons for the difference.

Meanwhile, the simultaneous show ought to be recorded in photographs. I have never seen the old-fashioned forms of dianthus flowering profusely beneath peonies which usually are associated with late May. Buddleias look remarkably chic

"IF IT WASN'T FOR THE WEATHER WE MIGHT NEVER HAVE MET."



among dark blue anemones which have been having a field day among their new neighbours, the border campanulas of normal July.

My personal prize at home goes to a physalis in full flower among the silver-leaved saxifrage of late May, with layers of late June's campanulas to keep the peace between them. It is like a dream

and, even on the edge of the thunderstorms, I cannot stop marvelling at it.

Climatic years bring problems with them, though. Traditionally, garden tours and foreign visitors aim at late June or early July for the great southern rose gardens like Sissinghurst and Mottisfont. If you have the option, bring forward the visit to this weekend and next, because

the roses will have raced before you if you stick to the normal schedule.

As for colour planning, this season is making a marvellous muddle for all the experts as well as the increasing flood of books on the subject since publishers fastened on to it a few years ago. Those charts and diagrams which suggest the right combinations have been thrown out of order by a simple trick of the weather.

If you are setting out on a new garden, and feeling unnerved by experts' insistence that particular flowers should be matched only with particular varieties, remember that 1993 has turned the experts' suggestions inside out and that nature has brought on its own combinations, usually for the best. Oxford borders are enjoying rather more of a Blue Period than I had intended, but I cannot say that premature nature has altogether ruined the result.

Be sure to see this extraordinary climax in a great garden, somewhere; but what, though, when it is all over? We need to look two months ahead, because July will be an early hiatus and we cannot leave August to become a dead brown flop. Thereafter, I will be using groups of blue, autumn-flowering crocus, on offer from the best bulb merchants until late July. Meanwhile, it is no use relying on

retarded bedding plants from most of the main shops.

Annual bedding plants are far ahead of their old rhythm and there is not much of quality which has not been brought on and sold off already. Instead, I am relying on cuttings and young plants of half-hardy perennials which have more staying power and which can even be bought as late as the Hampton Court flower show on July 5 and 6 without being too far behind to make a serious show in late August.

I am referring to the daisy-flowered osteospermums, scented heliotropes, bits of pink dianthus, fragments of shrubby salvia, and other soft plantings which companies such as Hopleys, Brian Hiley and Rushfields of Ledbury bring to the summer shows and sell off to those with an eye for quick quality.

Give our gardens the slightest whiff of Maasricht and they seem to make a continental dash for early growth. Over there in Europe, southern gardens have to use the tactic of late summer perennials, bedded out in a second sequence during late June. Now that we are going European in our seasons, and the boring old calendar has lost its sovereignty, we will have to react to this new paradise by adopting these secondary tricks and extending our season by cunning.

## Fishing Property

## Angling for a piece of river

Tom Fort muses on the possibilities of actually owning his own stretch of water

I occasionally run through the following conversation.

Fisherman One (myself): "Oh, by the way, you must pop down to my water some time." Fisherman Two (impressed): "Your water?" F1: "Yes, it's quite a nice stretch. Nothing grand, of course, but there's usually a fair chance of a fish or two." F2: "Well, that's jolly kind of you. Any particular time?" F1: "Any time you like, my dear fellow. That's the advantage of having your own water."

My tone of voice in this - sadly imaginary - exchange is modest and deprecating. But I would, perhaps, permit myself a certain emphasis on the words "my water." They do have a pleasing ring to them; or rather, I'm sure they would.

However, in common with the great majority of anglers, I do not have "my water". Nor am I ever likely to. Nor, in my more rational moments, am I entirely sure I would like it so much. Yes, it could be satisfying to lord it over the less fortunate. But imagine if Fisherman Two, instead of gratefully accepting the offer, replied: "Awfully decent of you, but to be frank, nothing on earth would induce me to come to your water. It was never much good in the first place, what salmon do make it up in poachers' larders, and - I know this hurts - you were done".

But it is a fact that plenty of anglers with money do like the idea. And what,

above all, they want to spend their money is that diminishing, threatened miracle of salt and fresh water, the Atlantic salmon.

Six years ago, I wrote an article for the FT about the value of Scottish salmon fishing. Then it was shooting upwards towards heights which were to be greeted with rage and disbelief by ordinary fishermen who found themselves increasingly excluded, and with hand-rubbing delight by owners and their agents.

The value of a given stretch of salmon river is computed according to the number of fish caught on it, averaged over a five or ten-year period. In 1982, the value per fish was around £1600. So a beat with an average catch of 100 salmon could be expected to change hands for £160,000. By 1987, when I did my survey, it had reached £2500 per fish. 1989 saw it rocket above £2800. And by 1990 it had peaked in the region of £12,000 per fish (although there were instances on the Brora and the

Beaulieu when it went higher).

This dizzying appreciation transformed the traditional way in which salmon fishing was organised, which by and large had been through decorous and gentlemanly relationships between ancient families and long-established tenants. If you wished to fish the Spey, the Tweed or the Tay, you had to be the right sort and know the right sort, and be prepared to wait until a pair of dead man's shoes became empty. Then the money arrived.

The owners of the estates through which the great rivers ran - always hard-pressed for cash - found themselves sitting on assets which were soaring in value. The old ways were abandoned as time wore on, and a system of financial exploitation which made it possible for the worth of those silver fish to be maximised to the last penny. Cash replaced social connections as the key to this promised land.

It could not go on, of course. The recession came, then the Lloyds insurance market disaster. Leisure spending was an early casualty, and the decline in values and volume of business set in fast. Now a calm has settled on the Scottish market.

The big deals are no longer being done. Take as an example the Ballathie Estate, north of Perth; 1500 acres, with a hotel, two country houses, a score of farms and 1½ miles of prime double bank fishing on the Tay with a 600 fish annual average. Two years ago Strutt and Parker offered it at £10.5 m. Now it is down to £2m, and still there is no buyer.

The problem is that salmon fishing no longer seems to have obvious business potential. The timeshare market is dead; unimproved by many, as its associations of frenzied sales techniques and faulty Spanish wiring hardly corresponded with the world of crusty lairds, monosyllabic gillies, and effortless Spey casting. With the absence of any prospect of swift and substantial return on investment, it means that likely buyers are restricted to those doubly blessed with a true enthusiasm for the fishing, and a great deal of money.

Roving south, to the trout of the chalk-streams of England, things are also pretty quiet. Timeshare never established a grip on rivers like the Test, the Itchen and the Kennet, and the fishing tends to be in the hands of clubs or syndicates, or organised on a day ticket basis, with a few privileged private owners dotted about.

The Test was once the finest of them all, and its fishing still commands prime prices, even though gross and careless exploitation has ruined much of it. The Itchen is a different matter, more cherished, more difficult, much nearer to the true chalkstream ideal. It is rare for any of it to come on the market, but Knight, Frank and Rutley is offering a gorgeous-looking 1½ mile stretch of double bank fishing below Winchester. If I had some-

where near £500,000 I would be round there like a shot.

A little way down the scale is Lambourn in Berkshire, a lovely stream much afflicted by abstraction. Strutt and Parker has two tempting stretches available, one of a little under half a mile at about £135,000 and another, somewhat shorter, which goes with a large, luxurious mill-house and 15 acres at £650,000.

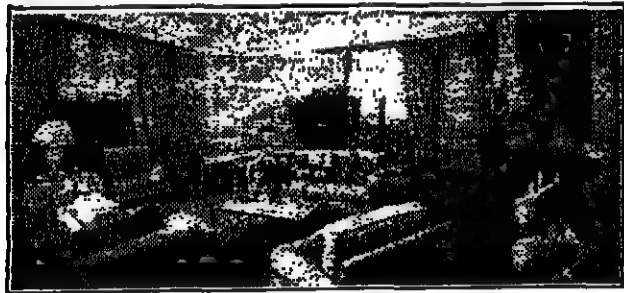
What I think I would like best of all - were my circumstances to undergo a considerable change - would be some fishing in Ireland. It has salmon rivers as good as Scotland's, and trout rivers better than England's. It was hardly touched by the salmon boom, the value per fish never rising beyond £2000. The problem with Ireland is that decent fishing almost never changes hands and when it does, it is by word of mouth. But it can be done.

Finally, a cautionary tale, also from Ireland. A friend has a nice trout river across the fields from his house. One year, when I was there, he told me he had rented a mile or so at £50 a year. All for himself. I quivered with envy as he rolled the words "my water" around his mouth. A while later, he told me that the woman with whom he had concluded his agreement, and to whom he had handed his £50, had no more title to the water than the Bishop of Galway. Such are the pitfalls.

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TRAVEL BOOKS

# Two views of the Highlands

Chloe Chard enjoys a volume which reunites Johnson and Boswell in Scotland

TRAVELLERS, however jaded, usually see the need to enliven their accounts of unfamiliar places with a sense of curiosity and excitement; their attitude is the opposite of that affected by the Matabele emissaries, in Stanlake Samkange's Zimbabwean novel *On Trial For My Country*, who have been told not to "keep on saying aul aul

an' in amazement". On seeing the sea for the first time at Cape Town, one of them remarks simply: "Ahl Today the river is in flood".

## TRAVEL COMPETITION

The Weekend FT is offering readers a chance to win the 10 top-selling Lonely Planet travel guides and phrasebooks. The Lonely Planet series of "travel survival kits" cover such destinations as India, Australia, South East Asia, Africa and Japan and include useful phrasebooks for travellers. Answer the 20 questions, which are based on Weekend FT travel articles published since the start of this year, and send your entry by June 30 to the address below. The sender of the winning entry, to be drawn on July 1, will receive Lonely Planet titles worth more than £150.

- 1) The green Jacquot parrot is the (endangered) national bird of which Caribbean island?
- 2) Upset stomachs are the most common health problem faced by travellers. What is the second one?
- 3) Unter Gösing, in Austria, is famous for which sport?
- 4) How many bird species does The Gambia boast: 507? 507? 507?
- 5) Where is Mensa Pools national park?
- 6) A study has shown that 74 per cent of snakebites are inflicted below the knee. True or false?
- 7) A Kumari is a living goddess in which country?
- 8) How many UK residents went on a cruise in 1992: 75,000? 150,000? 200,000?
- 9) If you fly to Siem Reap, what famous site are you headed for?
- 10) You are admiring the Côte de Granit Rose. In which part of France are you?
- 11) Sepilok, in Sabah, Malaysia, is famous for which creatures?
- 12) Which is the largest Greek island?
- 13) Which country invented museli and orthopaedic shoes?
- 14) Cypress Head is a famous golf course. Where is it?
- 15) Fifty years ago, which country was known as the Little Switzerland of the Balkans?
- 16) Alexander Pearce was an escaped convict who resorted to cannibalism. Where?
- 17) Where is Lorenzo Lotto's Madonna In Glory to be found?
- 18) What is the recommended speed limit on Germany's autobahnen?
- 19) How tall is the tallest Joshua tree in California's Joshua Tree National Park: 26ft? 36ft? 46ft?
- 20) It took the FT's Travel editor, Michael Thompson-Noel, 26 hours (door-to-door) to travel from London to Bali. How many times did the hapless hack's aircraft touch down before reaching Bali: four? five? six?

Send your replies to: Travel Books Competition, Weekend Financial Times, Number One Southwark Bridge, London SE1 9HL. The closing date is June 30. Answers and the winner's name will be published in the Weekend FT Travel pages on July 3. The Literary Editor's decision is final.

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supplying two narratives to read alongside each other: Johnson's *Journey to the Western Islands of Scotland* (1775) and Boswell's *Journal of a Tour to the Hebrides* (1785). While Johnson is busy observing "peculiar manners" and the like, Boswell is entertained and elated at being able to view his thoroughly urbanised friend and mentor in an unaccustomed setting.

The pleasures of this double narrative are evident when the travellers come across their first Highland hut. Johnson is full of investigatory fervour. Luckily, "to enter a habitation without leave, seems to be not considered here as rudeness or intrusion". True pastoral hospitality prompts the peasant woman inside the hut to invite them to drink whisky.

As Johnson gathers information, Boswell is sharply aware of the social comedy generated by the situation. His companion's interest in primitive architecture prompts him to ask where the woman sleeps, and she answers "with a tone of emotion, saying she was afraid we wanted to go to bed to her". Rather cruelly, they derive great amusement from "this coquetry of so wretched a being"; each claims banteringly that it is the other who has "alarmed the poor woman's virtue".

Some of the narrative tension of the book is, of course, derived from the close - but intermittently combative - relationship between the two men. Returning from the Western Isles, Boswell is overcome with apprehension, as he anticipates the meeting between his father, Lord Auchinleck, and Johnson, his surrogate father: "I was very anxious that all should be well; and begged of my friend to avoid three topics: Whiggism, Presbyterianism, and - Sir John Pringle". Johnson periodically annoys Boswell (a lowland Scot) by his rudeness about Scotland. At one point, he declares that, until the Union with England, the tables of the Scots "were coarse as the fests of Esquimaux, and their houses filthy as the cottages of Hottentots".

Such analogies with far-flung regions are frequent, and not always disparaging: once the two men reach the Highlands,

they both excitedly compare the scenes before them to the wilds of America. Boswell finds their visit to one village "much the same as being with a tribe of Indians", to which Johnson replies: "Yes, sir; but not so terrifying".

The desire to leave dull familiarity behind is never expressed here quite as strongly as it is in E.M. Forster's *A Room with a View*, when the heroine, in a Florentine pensione, laments: "It might be London". Nonetheless, Johnson seems gratified when his experience of feudal hospitality convinces him that "the fictions of the Gothic romances were not so remote from credibility as they are now thought".

His pleasure in new and sur-

**JOHNSON AND BOSWELL IN SCOTLAND: A JOURNEY TO THE HEBRIDES**  
edited by Pat Rogers  
Pb £25, 330 pages

prising sights is tempered by a vehement repudiation of fantastic travel literature - the tales of monstrous beings that proliferate in medieval travel narratives, and survive, in the 18th century, in wild speculations about Patagonian giants and other curious phenomena. Johnson opposes all such "credulity", and is resolutely sceptical about the poems of Ossian - works published by James Macpherson in the 1760s, in the guise of translations from a Gaelic epic.

Delight in novelty, moreover, cannot entirely deaden the awareness that "to live in perpetual want of little things, is a state not indeed of torture, but of constant vexation". Many contemporary travellers to the third world - or to the English countryside on a Sunday - will sympathise with this measured response to the absence of a shop on Skye.

In some other ways, Johnson's narrative may seem alien to late twentieth-century readers: he feels none of the constraints of tourism, which began to trouble travellers to Italy a few decades later, and

his *Journey* lacks any concept of a Byronic urge to move ever onwards, or to place one's self-identity at risk. (Revealingly, he describes with approval how, in ancient Gaul, Caesar came along and "put a stop to" the engaging fact-less plans of the Helvetians to wander off "they knew not whither".)

Boswell's narrative has more in common with contemporary travel writing, simply because it often focuses on the personal feelings of the traveller himself: he describes his fits of gloom, made worse by the experience of being trapped on islands by bad weather.

Johnson, however, in his resolute pursuit of knowledge, touches on many questions relevant to current debates about cultural difference. He is scornful of the moral relativism that justifies any form of human behaviour by showing it to be acceptable in some exotic region.

Montesquieu, for example, "to support polygamy" tells you of the island of Formosa, where there are ten women born for one man. The trouble with this argument, Johnson cheerfully points out, is that "he had but to suppose another island, where there are ten men born for one woman, and so make a marriage between them".

*Johnson and Boswell in Scotland* provides immensely pleasurable reading: its delights are increased by the thoughtful choice of illustrations, and only slightly marred by the decision to cut Boswell's text, and supply the barest minimum of explanatory notes.

Within the domains of literary criticism and of history, travel writing is usually appropriated either by old-fashioned anecdotalists, snobbishly preoccupied with the antics of aristocrats, or by proponents of the new critical orthodoxy of colonial studies - which, as it becomes absorbed into established systems of academic deference, is in danger of losing its initial intellectual energy. Accessible and attractive editions of travel writings, such as this, throw open the field to a wider readership, and encourage a more diverse range of approaches.



A village in Umbria - taken from Italy From The Air by Franco Lefevre with photographs by Guido Alberto Rossi (Thames & Hudson £26, 203 pages)

# Tall tales from the yurts of subterfuge

Christian Tyler on why travel writers are economical with the truth

took me, along with the impossibly daring Sandy Arbuthnot, behind the mysterious shutters of the Turkish harem.

But it was China and Central Asia that took the greatest hold. A beautiful

godmother who lived in the Peking embassy and dined with Chairman Mao sent me a set of green china horses and figures of sages and peasant fishermen. Sir Fitzroy Maclean pushed the window further open by travelling the Turkish railway and writing about it in *Eastern Approaches*. I learned Buddhist prayer techniques from Henning Harlund's *Men and Gods in Mongolia* and followed the extraordinary missionary ladies Mildred Cable and Francesca and Eva French on their wagon train

through the Gobi. But it was Peter Fleming, crossing the Taklamakan desert with Ella Maillart in *One's Company*, who finally did for me.

For nearly 20 years I nursed my complaint before the opportunity arose to scratch my Central Asian itch. Disillusionment followed hard on the heels of wonder. Yet there were rewards: among them, encounters with the Living Buddha of Huhhot and the sole surviving imam of Ashkhabad, a solitary view of the devastated Tangut necropolis in the desert of Ningxia, a scramble over the mound that was the Parthian capital of Nisa, and a day (secured only after a week's badgering of a forked-tongued Soviet commissar) in the withered mudbrick remains of Merv, razed by the Mongols in the early 13th century.

The only travel writers for me are the ones who are not afraid to paint the whole picture - telephone wires and all. Peter Fleming, inventor of the witty anti-travel book with *Brazilian Adventure*, ranks among the very best. He has his heirs. One, although of a more cynical turn, is Paul Theroux. Another (with whom I have trav-

elled myself) is Andro Linklater: his *Wild People of the Sarawak* longhouse were religious animists who wore "I love New York" T-shirts.

I would trust almost any title from the house of John Murray, publishers of Darwin's *Voyage of the Beagle* and of Patrick Leigh Fermor and the late Freya Stark. Their latest comes with the reliable name of Hopkirk on the cover. It is *A Traveller's Companion to Central Asia* by Kathleen Hopkirk, wife of Peter whose *Foreign Devils on the Silk Road* and *The Great Game* are compulsory.

Hopkirk (to whom I owe the reminder of Marco Polo's impugned veracity) acknowledges a debt to Sir Fitzroy Maclean and has raided her husband's library to produce a short alphabetical history of the best bits of the old Silk Road. She covers Ashkhabad, Bokhara, Geok-Tepe (where the Tekke Turcomans were slaughtered by the Tsar's army), Gilgit and Hunza, Kashgar (including a delightful portrait of the first British residency), Khiva, Merv, Samarkand, Tashkent, Turan, and Urumchi.

Her book is undoubtedly as reliable as anything extant on Central Asia. For the addict, of course, it is one more dangerous dose, a tickle for itchy feet, an invitation to seek fresh surprises in central Asia following the collapse of the Pax Sovietica.

■ *A Traveller's Companion to Central Asia*, by Kathleen Hopkirk; John Murray, £16.95, 290 pages.

# In the oases of stasis

THE BATTLE FOR ROOM SERVICE by Mark Lawson

Pb £14.99, 291 pages

Lawson fended them off. What he wanted to write about was the quiet world - places of tranquillity, stability and conventionally civilised values. "I stress this," he says, "because the idea somehow got around in a few of the countries I visited that this project was an examination of the world's most boring countries. Untrue. If such judgments must be made, I prefer to follow the modern practice of linguistic sensitivity, or political correctness, and refer to these destinations as 'activity-challenged', 'differently-interesting', or 'places of calm'."

He claims that his journeys had the ghost of a serious purpose: to discover whether there was such a thing as a safe country in a way philosophically beyond the definition of one in which nothing much currently goes on. "Could the Ayatollah Khomeini have pro-

duced in the inhabitants of Timaru (New Zealand) or Ottawa or Milton Keynes the reactions he won from those in Tehran? Lenin lived briefly in Zurich but, had he been Swiss, could he have led a revolution there? Do some nations have anaesthetic temperaments and environments which render them immune to demagoguery and revolution?"

Lawson sets about his mission in splendid style, by starting in New Zealand and having some harmless fun with the Kiwi accent. When he tells a hotel receptionist in Christchurch that he is heading for Timaru, she tells him that the people in Timaru are "funny little pipples". Why? asks Lawson. "Hard to say," she replies. "We had a nuclear accident in Ni Zilland in '64, and pipples reckon something got into the water over there..."

He also produces some appalling yet lovely jokes. Example: New Zealand is "probably the only country in the world in which people flocked to see *The Silence of the Lambs* believing it to be a pub-

lic information film about oesophageal blockage in new-born sheep."

But there is more to Lawson than quips about accents and bitter-sweet jokes. He does his homework. He has a good ear and eye. He is a rewarding companion and guide. And his humour is always studiously unforced.

After a year spent in the quiet world, Lawson concludes that the safe zones are receding, that there are no islands any more - no opt-outs, anywhere, from poverty, joblessness or, most strikingly, some

variety of violence.

Perhaps, he says, it was no coincidence that in each of these former oases of stasis there was also a crisis of belief in leaders. In the year in question, in nearly every nation of the quiet world except Australia, a leader had been retired, rejected or in some way humbled, partly because the prevalent political pressure to reduce taxation had left these countries struggling to fund the lifestyles to which their electorates had become accustomed.

History has not ended - not even in the boring world.

Michael Thompson-Noel

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## BOOKS

# From pilferer to playwright

Anthony Curtis on the extraordinary life and reputation of Jean Genet

IN THE exhibition *Paris Post War: Art and Existentialism 1945-55* that opened earlier this week at the Tate Gallery there is a portrait of Jean Genet painted in 1955 by his friend, the Paris-based, Swiss-born Alberto Giacometti. The painter and the writer had both been adopted as significant manifestations of the spirit of Existentialism by Jean-Paul Sartre and Simone de Beauvoir. In 1952 Sartre wrote a book about Genet aimed to canonise him as a secular saint of the movement - *Saint Genet, comédien et martyr*. It was an attempt through a series of paradoxes to justify Genet's criminal way of life as an example of supreme courage.

In 1954 Sartre published a major article on Giacometti in which he praised Giacometti's art more soberly than he had Genet's. He pointed especially to the sense of distance between the spectator and the subject Giacometti created in sculpture and in portrait painting. This is noticeable in the Genet portrait in the Tate.

GENET

by Edmund White

Chato & Windus £25, 320 pages

Observing this portrait, it is difficult to believe that the strong stoical figure it depicts was once a French boy, a petty thief with convictions running into double figures, a vagrant over much of pre-war Europe and a male prostitute. Like Sartre's tome, the portrait celebrates the transformation of Genet from being all those things in his youth to becoming in his maturity a French writer of international stature, whom several fine critics on both sides of the Channel and the Atlantic think it is appropriate to speak of in the same breath as Proust.

How was this transformation effected? And is the claim that Genet's place belongs among the truly great really valid? Edmund White's vast but never tedious biography deals with the first question in the greatest detail, giving us a fascinating answer based on many years of research. As for the second, although he is not concerned to argue the literary critical case for Genet as such, he leaves us in no doubt by his treatment of the works in relation to the life - the early volumes of autobiographical fiction as well as the later and much better known plays - that he regards Genet as being, after Proust, the most important modern French writer.

White's task was made the more difficult by Genet's consistent disregard for truth in the ordinary sense of the word. He was a compulsive liar, a fantasist when giving any kind of account of his early life. With infinite patience White has sifted truth from fabrication. Jean Genet was born in

1910 to a father about whom nothing is known beyond his name - Genet - and a 22-year-old unmarried mother who abandoned her child when he was seven months old. He was then fostered to a family in the market town of Alligny-en-Morvan in the Nièvre. The couple loved Genet as if he were one of their own. They instructed him in the tenets of their faith, made a choirboy of him and sent him to the local primary school.

Genet usually came top of the class and on merit should have gone from there right up through the system, but for a boy of Genet's background, a welfare ward, it did not work out quite like that. Instead he was given the option of going to a training centre near Paris offering courses in printing and cabinet-making. After two weeks he had run away and started that pattern of truancy, theft, recapture, rehabilitation and recidivism, that marked his early life from then on.

There were periods when he lived as a young tramp, followed by sojourns in various psychiatric clinics for juveniles, and a brief but educative period as assistant to a blind composer of popular music from whom he embezzled money entrusted to him. In the end Genet landed himself in a situation which not even he with all his street-wise cunning could wriggle out of. He was sent to "the children's prison" of Mettray, an agricultural penitentiary colony. The great theme of Genet's work - domination and submission - in everyday life, in sexual relations, in hierarchical masturbation fantasy, was nurtured at Mettray.

The two and a half years Genet spent there, before he joined the army from which he eventually deserted, were later glorified by Genet as the time when he learnt to live entirely on his own resources. Even from his fictional accounts - in *Miracle of the Rose* and *The Thief's Journal* - it sounds like hell on earth. The older boys brutalised and raped the younger ones. Yet Genet managed to do an amazing amount of reading under these conditions. Leaving Mettray concludes Act One of his life.

In Act Two he emerges as an outsider in society, a writer of poetry and prose pilfering to make ends meet, nicking books from shops and open stalls that he rapidly re-sells. He becomes the passive lover of a number of young men from the criminal class. He impresses the educated people he meets by the range of his reading, the aperçus of his conversation and his dandyism. As the second war looms he is excited by the trial of a murderer with whom he sympathises.

Now Genet starts to lever himself into the Parisian literary world. By the time of the Occupation he has made contact with Cocteau, who was at the height of his passion for Jean



Marais. Cocteau befriends Genet and is crucial in the promotion of his early work. If Cocteau was ambivalent in his behaviour towards the German authorities during the Occupation, Genet, in his loathing of the French bourgeoisie, positively sympathised with the Nazis.

After Jouvet's production of *The Maids* in 1947, Genet's gifts as a playwright whose work was balanced on a knife-edge between fantasy and reality took off in *The Balcony*, *The Blacks*, *The Screens*. Though few in number, these plays, with their brilliant use of ritual, put him in the same league as Beckett, Brecht, Pirandello. Genet became the centre of an

international post-war cult. He no longer needed the protection of anyone. His blazingly original and frankly obscene prose books were a landmark in the history of gay liberation. Yet while he was granted an official free pardon for his former crimes, he still needed to steal. While in Giacometti's studio, for instance, he took away a drawing the artist had done of Matisse. Bursts of creativity alternated with long periods of isolation and hibernation abroad.

Even now, with all the acclaim, Genet remained deeply subversive. He supported the Algerian Arabs against the French colonialists and then became a champion of the Black Pan-

thers and the Palestinians. He witnessed the massacre at Shatila in Lebanon and wrote movingly about it. In his last book, *Prisoner of Love*, he identified with those peoples searching for a homeland. White gives an interesting account of the later works, film projects and scripts.

Unlike Proust, Genet has yet to find a translator into English who will give him the readership outside France that he deserves. This remarkable biography will arouse fresh interest in his work as a whole and make us realise that there is much more to Genet than the plays that are already regarded as modern classics.

# Labour's leading lady

BARBARA CASTLE was the Labour Party's Margaret Thatcher, or should have been. They have different beliefs and Mrs Castle never even became party leader, let alone prime minister. Yet in character and background they have a great deal in common. Even in their politics they have a shared suspicion of the European Community.

Mrs Castle's misfortune was to have been born too early - four years before the outbreak of the first world war. There was never a chance that a woman could make it to the very top in her generation, especially in the Labour Party. When she was seeking to become a parliamentary candidate in the early 1940s, an old trade union hand told her bluntly: "Women won't vote for women." Still, it is possible that Mrs Castle's pioneering in one party made it easier for Mrs Thatcher in another.

FIGHTING ALL THE WAY  
by Barbara Castle  
Macmillan £20, 626 pages

Barbara Betts, as she was born, owed a lot to her father, who worked for the inland revenue but was also a socialist intellectual who wrote poems. The north country family was not well off. Like Margaret Roberts from Grantham she went to Oxford at a time when that was relatively unusual for a girl from a poor background. With her customary flexibility, Mrs Castle believes that once women had achieved equality - such as being allowed to speak at the union and have wine at dinner - there was no need for mixed colleges.

The length and depth of her political training are remarkable. After what she regarded as the shame of an Oxford third, she went in for party propaganda, being proclaimed in Ashton-under-Lyne as "a unique phenomenon - a woman not speaks". She knew most of the leading figures in the party early on and wrote a joint column in *Tribune* with Michael Foot. She was already a figure at party conferences, and had even called for limiting the trade union block vote, before she entered parliament in 1945. Almost at once she became a parliamentary private secretary to Stafford Cripps, then to Harold Wilson.

Those were the liberal days when a PPS was allowed to vote against the government. By 1950 she was a member of

the party's national executive committee. Probably her closest political ally was Aneurin Bevan, who she thinks would have had a healthy influence on the left had he not died in 1960. Mrs Castle disliked Hugh Gaitskell intensely, and in the long period of Labour opposition spent much of her time working with the Movement for Colonial Freedom - a fascinating part of her memoirs.

Much of the rest of the volume is more familiar, from not only her own diaries but also those of her colleagues: Wilson, Crossman, Healey, Jenkins and Benn. She was the first minister for overseas development to be in the cabinet; the (non-driving) transport minister who introduced seat belts and breath tests; then she came a cropper with "In Place of Strife" when ultimately only Harold Wilson supported her attempts to reform trade union legislation. She left office completely when Wilson was succeeded as prime minister by James Callaghan, a man whom she plainly disliked as much as she had Gaitskell.

Still, some insights are new. She was not conventionally left wing and she has a nice turn of phrase: on Tony Benn - "I had an uneasy feeling from time to time that something was not quite in focus." She says that the Labour Party is like that of the present Bishop of Durham on Christianity - "continuing to assert the faith while shedding those doctrinal elements which no longer seem appropriate."

I did not know that Mrs Castle wanted to be foreign secretary when Labour returned in 1974, but that is what she claims. On her desire for the premiership, she is quite open, yet honest enough to recognise it was not within her grasp. She never schemed for it. Perhaps her most surprising characteristic was her total hostility to the European Community in the years when Britain was seeking to join. There was a mild conversion when she became a member of the European Parliament in the 1980s, but a pro-European Castle earlier on might have tilted the balance in the Labour Party.

With these memoirs Mrs Castle is back with the Healeys and the Jenkins which is where she belongs. She leaves no doubt of her admiration for Mrs Thatcher's determination, but must be pleased to have got in first. Lady Thatcher's memoirs are due in the autumn.

Malcolm Rutherford

# With respect for the sanctity of life

A Rochefoucauld said that death, like the sun, should not be stared at. Ronald Dworkin does not take his advice. In this outstanding book he addresses the agonised problem of death inflicted, by choice, in the form of abortion and euthanasia, his aim being to elucidate what is truly at stake in this confused and acrimonious debate that surrounds the matter, and to suggest ways of resolving the difficulties it involves.

Dworkin is the world's leading philosopher of law. In this book he shows that complicated questions can be discussed with originality, profound insight and utter clarity. He takes his readers from courtrooms and hospital wards to the most abstract considerations of the sacredness of life and the exigencies of law. By the book's end one senses that the whole shape of the debate has been transformed. From now on there can be no discussion of abor-

tion and euthanasia which does not start from here.

Abortion means deliberately killing a developing human foetus, and euthanasia means giving, out of kindness, an effortless death to a sufferer. Both arouse great controversy and passion. Dworkin describes the furor currently raging over abortion in America and Europe as the modern equivalent of the 17th century's wars of religion.

In Dworkin's view much of the debate's bitterness stems from a serious mistake about what is really at issue. Most participants argue as if the main dispute is about interests and rights. Their rhetoric is framed in terms of a foetus's interest in staying alive, and its right to be protected by the community in

order to do so. But Dworkin argues that what actually underlies both the "pro-life" and pro-abortion positions is a view about something different: namely, the sacredness or inviolability of life. Both parties, he says, believe that life has intrinsic value; but each takes a different view of what that implies for personal and political decisions about abortion. The same considerations apply to euthanasia.

The concept of the sacredness of life is not an exclusively religious one. Atheists also regard life as sacred. In Dworkin's sense, by "sacredness" here is meant intrinsic value and importance. This is not the view that life's worth is such that the more we have of it the better, for clearly overpopulation is

a disvalue. But once an individual life exists it is hugely important for its own sake. Consider a painting by Leonardo: the destruction of such a thing would be regarded as a terrible loss, not merely for the instrumental worth it has in pleasing or

LIFE'S DOMINION  
by Ronald Dworkin  
HarperCollins £17.50, 272 pages

instructing us, but because of its own special value as a high achievement of human creativity. How much more valuable still, Dworkin says, is human existence itself.

Each human life therefore commands respect for its own sake,

because of what goes into its making and what its possibilities are. To end such a life is to frustrate its possibilities and to waste its value. For conservative opinion, this implies that abortion is never, or very rarely, justified. For liberal opinion, abortion is justified whenever the continuation of a pregnancy would have an especially bad effect on other lives by frustrating or wasting them, or would result in a deeply frustrated life for the child itself if it were born. But for both sides of the argument the central issue is the merit of life itself.

The same thoughts apply in the case of people suffering incurable and perhaps agonising disease or injury. Recently in Britain a doctor was found guilty of attempted murder

for giving a lethal injection to a woman suffering so much pain that she screamed whenever touched. In Dworkin's view the question of life's value to the sufferer is the central concern here. In the Netherlands there is a tacit understanding that doctors can help such patients die peacefully and quickly provided certain guidelines are observed. Elsewhere, many sufferers are condemned by our scruples to lives which are terrible to live. Dworkin devotes a chapter to the problem of Alzheimer's patients, a growing population of sufferers with suffering families who, until medical science finds a rescue, undergo a long and frightening living death. Their plight throws the question of life's value into stark relief.

A.C. Grayling

# Big Brother arrives

WITH exquisite timing, the British Security Service (MIS) has moved into a new, hideous headquarters on Millbank just as it has become all too apparent that Boris Yeltsin's Russia is no more capable of posing a threat to the UK than it is of conducting its own affairs.

Yet it is an historically demonstrable fact that Soviet Russia has always been regarded by MIS and the Special Branch of the Metropolitan Police as an enemy of Britain. Those in Britain who have, or are alleged to have had, overt or covert sympathy for Soviet Russia have been regarded in the same light as committed supporters and traitors.

Stephen Dorril therefore argues that MIS and the Special Branch are now planning to concentrate their energies on closer investigation than ever before of the lives and beliefs of British citizens, in order to persuade the government that their tasks remain unchanged despite Soviet Russia's demise. Terrorism in its many forms, with Northern Ireland the scene for prolonged undeclared war, will justify greater activity, not only by MIS but by the other civilian and military agencies which operate there. The Government Communications Headquarters

(GCHQ), the Postal Services and British Telecom will seek to penetrate ever more closely into private lives.

Dorri's Big Brother world is described soberly, and with abundant corroborative material. Dorril has also worked hard to sustain the thesis which complements his account of MIS's and the Special Branch's determination to survive at all costs. Dorril states not only that the Cold War is over but that "it is debatable whether terrorism poses a real threat to the realm." Therefore, there is no longer any need for MIS and its associates. Dorril is clearly convinced that this simple assertion requires no evidence to support it. Given such a conviction, Dorril finds no difficulty in arguing that MIS and the Special Branch manufacture crises and distort the terrorist factor in order to strengthen what he calls "the secret state".

Linking issues which should be treated separately is a device much employed by conspiracy theorists, and Dorril is no exception. He has, however, striven so hard to sustain his case against MIS and the Spe-

cial Branch that the issues do emerge in terms which enable two key questions to be asked: do we need security services, and are these services so anxious to convince their political masters of the existence of new threats to the realm that intensified interference with ordinary British citizens occurs almost without check?

The first question can be bluntly answered in the affirmative. All Dorril's denials

cannot alter the fact that a major terrorist threat does exist to the lives of just those ordinary citizens about whom he professes such concern. When people get blown up or maimed, and when evidence emerges that the Provisional IRA is not the only terrorist organisation operating in the UK, the thoughtful reader could well decide that the author represents a generation which lacks direct experience of an ugly world. Yet Dorril

not only calls the Provisionals "terrorists" but applies the word to others, notably those who perpetrated the Lockerbie massacre. Dorril also states that "with substantial arms supplies from Libya the IRA will always be able to mount operations." There is much mental confusion here.

Nevertheless, and coming to the second issue, Dorril does have a constitutionally and politically very important case in exposing the degree to which our lives are under surveillance, and on a scale which poses a specific threat to civil liberties. The *Police Review*, hardly a journal of the left, provides Dorril with an apt text regarding surveillance operations: "Much of the information is valid intelligence. A substantial proportion is unchecked bunkum." Searching further back in time, Dorril finds Eskin's May criticising the Special Branch: "The freedom of a country may be noted by its immunity from this baneful agency."

If therefore there is nothing new about the secret British state, Dorril has still done good work in giving examples of unwarranted interference with

our lives; justified on no possibly valid security grounds; apparently controlled by recent legislation; yet exercised in practice by governmental authority in terms which could well have been laid down by Sir Humphrey Appleby.

In the event, therefore, Mr Dorril has put it in his debt. The security services are necessary, but require urgent overhaul and Parliamentary oversight. Attention John Major, our populist prime minister. While he is about it, Mr Major could do worse than take a close look at "private security organisations," as they tend, euphemistically, to dub themselves. Some of these firms are perfectly proper and have saved lives rather than taken them. But all merit investigation - by Parliament, not by some neutered Whitehall committee.

The case for investigation is clear and straightforward: the electronic age enables all kind of folk, well intentioned and otherwise, contracted, covertly, to "government" or not, to poke and pry. Orwell's frightening vision is coming closer to realisation, not because of "the secret state" mentality but because it is now all too easy to dig deep into another's private life.

Anthony Verrier

# A weird kind of icon

LIKE IT or not, it is difficult to avoid Dr Hunter S. Thompson. Only recently Garry Trudeau devoted another of his "Doonesbury" cartoon strips to the latest episode in the extraordinary life of Duke, the drug addict, quondam diplomat and Colorado recluse who is modelled on the self-styled "gonzo" journalist.

There have been at least three biographies of the man in the last year or two. For those who keep track, E. Jean Carroll is the one by the author who actually slept with him and nearly married him. This is not bad for a character who has produced only one seriously good book in 30 years (*Fear and Loathing on the Campaign Trail*, a brilliantly idiosyncratic account of the 1972 election) and is considered even by his fans to be one of the most disappointing literary talents of his generation.

Ms Carroll's technique is clever. Every third chapter or so gives an account of her own "romance" with Thompson, written in the best *Vanity Fair*/Tom Wolfe style, deliciously revealing, funny, and self-mocking. The rest is a

series of quotes from family, friends and enemies, from Louisville, Kentucky, via the Hell's Angels and political writing to the Colorado cabin. Thus she begins: "I have heard the biographers of Harry S. Truman, Catherine the Great, etc etc, say they would give anything if their subjects were alive so they could ask them some questions. I, on the other hand, would give anything if my subject were dead."

HUNTER  
by E. Jean Carroll  
Simon & Schuster £16.99, 341 pages

He should be. Oh yes. Look at his daily routine: 3.00pm rise; 3.05 Chivas Regal with the morning papers, Dunhills. 3.45 cocaine; 3.50 another glass of Chivas, Dunhill; 4.05 first cup of coffee, Dunhill; 4.15 cocaine; 4.16 orange juice, Dunhill; 4.30 cocaine; 4.54 cocaine...

Eventually you get the picture, through the 7pm lunch at the Woody Creek Tavern (Heineken, two margaritas, two cheeseburgers, fries, tomatoes, coleslaw, taco salad, fried

onion rings, carrot cake, ice cream, bean fritter, Dunhills, another Heineken, cocaine, and for the ride home a glass of shredded ice over which is poured three or four jiggers of Chivas). At 9pm he "starts snorting cocaine seriously"; at midnight, fortified by Chartruse and pornographic movies, he is "ready to write."

Or not, because it is a long time since Hunter Thompson has written anything. But there is no point in being puffed about this. To write may be to disappoint: it is to Hunter S. Thompson is to be a weird kind of icon. Dick Goodwin, an old friend and intimate of the Kennedys, says: "Hunter Thompson is a unique character of our times. He is a reality, which is one thing. And he is a symbol, which is another totally different thing. And thirdly he's both ultimately sane and crazy. He is also drunk and sober."

Carroll, with the deftest of touches, offers the most entertaining of reads with, correctly, an absence of moralising. Other minor literary characters should be so lucky.

Jurek Martin







## ARTS

## Venice Biennale Chaos, crowds and comedy

HERE ARE times, even now, when one is proud to be British. To find oneself at Venice, with the temperate nudging into the sea and facing the prospect, courtesy of British Airways, of a week or so in the clothes one stands up in, is not one of them. The errand bags turned up the next day, with their absence unexplained but at least intact. Your correspondent is once more his usual dapper and imperturbable self.

Not that that happy state has been a little difficult to maintain. The heat and humidity are trying enough, "but the noise, my dear, and the people." In spite of the public avowal by the director, Achille Bonito Oliva, at his London press conference that this, the 45th Venice Biennale, would be ready in time, it has proved so far the worst organised of any in my experience of the last 20 years. The central sight and focus of the Biennale are the public gardens at the far end of the city proper. There, beneath the trees are the many national pavilions that make up so engaging an account of the architectural progress of the century. There, too, is the maze-like central pavilion that houses the principal thematic surveys of recent international art. And so, in the avenue before the gates into the gardens on the first of the three press days, the comedy begins, just as it has begun on the first day of every Biennale.

We, the world's art critics, want to get in, and they, the guardians of the gates, young earnest men with walkie-talkies, and a handful of armed carabinieri who lend a certain tone, do not want to let us in until the last possible official moment. Fully armed cameramen are climbing everywhere above us to catch it all. Only this year the wait goes on and on, long after the promised hour. The sun beats down. Temperatures shorten. Fists are raised. Things are said.

People had been going in all the time, of course, if they had the magic words to whisper, or pass to show. Then there came the wonderful moment when the dam broke. I suppose some 50 got through, before the gates were closed again by force, rather like the gates of Hougoumont at the battle of Waterloo. We too managed to break in, to our immense satisfaction, in a diversionary raid on the side gate.

And so into the gardens, to make a start on the pavilions and exhibitions and to face the perverse ordeal of accreditation, which means another crush, another endless wait, and more hard words and lost tempers. This year the catalogue is in short supply, can hardly be had for love or money, and when at last achieved it weighs a ton. You cannot imagine the desperation, the sheer panic of the critic dangled his catalogue.

The next few days will bring receptions here and gossip there, things to be seen, commissions to be given. Francis Bacon in the city, the young artists in the Arsenal, Richard Hamilton in our pavilion - such things await a thorough notice. The Biennale is under way again, and for the moment it is enough to lean on the balcony of the British pavilion, high above the gardens and the throng, a cooling glass on hand. Being British does have its moments after all.

William Packer will write about the Biennale on Tuesday and Saturday next week.

William Packer

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Sister Superior

THE GOVERNMENT has started soundings in its search for a new chairman of the Arts Council to replace Lord Pym on next April Fool's Day. Rumours suggest that the usual suspects have been rounded up, including former arts minister Lord Gowrie, who is not fully stretched these days as chairman of Sotheby's Europe, Sir Nicholas Goodison, an unrepentant arts committee man, and Mary Archer, who would be an acceptable token woman.

But the government's task in filling this unpaid job with endless opportunities for nights at the opera has not been made any easier by the explosive resignation this week of Lord Rix (former actor Brian Rix) who for seven years chaired the Council's Drama Advisory Panel and its Arts and Disabilities Committee. Lord Rix was not meekly mouthing in explaining why he was quitting. "For more years than I care to think the Arts Council has been viewed with barely concealed contempt by successive Arts Ministers as well as by our clients," he goes on to accuse the Council of "fawning" if it receives a reasonable grant from the government, and when, as this year, there is no real increase, behaving "like lemmings, devising fatuous so-called policies, and strategies, and visions, and corporate plans which are merely feeble attempts to cover up the fact

that we have been defeated on from a great height."

As a seasoned *farceur* his timing was spot on, prompted by last week's report by consultants Price Waterhouse into the workings of the Arts Council. "Two things really got up my nose," he says. "Their recommendation to cut back the number of panel chairmen and regional arts board directors on the main Council, and the suggestion that the Council should not go in for social engineering, if the arts are not in the business of social engineering, what are they for?"

Behind the specifics is a more fundamental trigger for Lord Rix's outburst. He thinks that the Council has allowed itself to become a foothold of the government. It should have re-examined its role and future itself rather than submit to an investigation by outside consultants. He feels that through spongy the Council has made itself dependent on its paymaster, the Heritage Minister, and has surrendered the cherished arm's-length principle.

One can understand his anger. For years the Council

seems to have been churning out reports - on devolution, strategy, internal organisation, as well as specialist working papers. Various arts ministers have played pass the parcel with it, some, like Richard Luce, favouring devolution of its powers to Regional Arts

which has raised the Council's grant by 27 per cent to £225m. the cash flow is due to be switched off. In the face of a planned cut of £5m in its grant for 1994-95 the Council intends to announce in July that it will make strategic arts decisions - instead of shared misery it will divert money away from devolved regional theatres and towards contemporary dance and the visual arts. In the event little more than £1m or so will be transferred, and although some arts organisations will suffer and claim they face closure, they will probably survive.

The real fight over money comes when the government option of letting the Council carry on much as it is but saving £50,000 a year by cutting 30-odd jobs, and by putting out such activities as touring to a separate agency.

A dispassionate observer may feel that for all the government's huffing and puffing very little has changed at the Arts Council. Most of the reforms amount to little. After 14 years of Conservative government it remains an entrenched bureaucracy, the arms-length principle still largely intact. It has lost some powers through devolution, but that was very much its own policy pronounced in the "Glory of the Garden" initiative of the early 1980s.

The new chairman's main concern will be money. After three years of generous treatment by the government,



Simon Russell and Jane Lapotaire in *Ghosts*

## Elusive Ghosts

THIS NEW account of Ibsen's *Ghosts* is nearly, so nearly, a classic. The play works beautifully in the close surroundings of The Other Place, and the performance shines with vintage RSC virtues. Every facet has been honed for meaning, the actors play as a true ensemble, voices are handsomely produced with a wide, musical range of nuance, and the designs are unobtrusively attractive. Why then is the production less than ideal? Partly because of two vintage RSC flaws: where the casting is perfect, the acting is not always spontaneous; and where the acting is spontaneous, the casting is not always perfect.

Set against these caveats, however, is the thrill of *Ghosts* itself. Above all, it is about the choices - past, present, future - that tragically pin down a woman who has married without love. She spends most of the play breaking through one trap, only to meet a worse one. Jane Lapotaire should be wonderfully cast as Mrs Alving. Every aspect of her is turned into expression and character. You see the hopeful girl she was, the sharp old woman she is becoming, and the severity and sorrow that have shaped her. But why so much calculating (and some times melodramatic) emphasis? Why repeat the same old right-arm gesture of entreaty, the same gaping mouth of dismay, so often? Why the pregnant pauses, the sobbing break-up of sentences into disparate staccato words? Too much artifice.

The only artificial feature of Simon Russell Beale's Oswald is his blonder-than-blond hair. Tensely cool with Mander, respectful but guarded with his mother, he reveals the angry young man in Oswald. But his

embittered air of disillusion - invaluable in roles from *Therese* (*Trilby*) to Richard III - rides Oswald of his idealism. Two months ago, a young actor, Jonathan Wrather, played this role at the Palace Theatre, with less revealing detail but the kind of Montgomery Clift nervous intensity that swept the play up into a thrilling near-apocalypse. When Beale asks for "the sun... the sun...", I am gripped by the abjecting dullness of his tone - yet I cannot believe that sun is what he wants.

But expecting to find a flawless performance of a major Ibsen role is like looking for a garden without weeds. Each character is so multi-dimensional that it presents an actor with a supreme challenge. Mander, for example, is more glib and slow-witted than John Carlsie shows. In every other respect, however, Carlsie is exemplary. He reveals Mander's morality from several sides - the blinkered Calvinist rigour, the tender, grave idealism (which attracted Mrs Alving), the insensitive rectitude that renders him eventually laughable. And played with utter ease.

John Normington's Engstrand is a plausible crook. Alexandra Gibb's Regina is radiant, servile and pushy - a marvellous mix. Vikki Mortimer's designs and Tina MacHugh's lighting, beautiful in themselves, entirely serve the play. Katie Mitchell, always a master of intimate space, directs the play as a powerful web of eloquently interacting details.

At The Other Place, Stratford-upon-Avon, until July 24 and later in the season.

Alastair Macaulay

## Irish questions

FOR SOMEONE who writes about the micro-world of Donegal, Brian Friel has a formidable range. Those who admired his gentle *Dancing at Lughnasa* a couple of years ago will find this revival of *Translations*, written in 1980, much stronger meat.

*Translations* is almost an overtly political play. The time is 1833. The English military have arrived to conduct the first ordnance survey of Ireland. As David Killick's nonsense-from-the-natives Captain Lancey explains, there are two reasons. One is to equip the military authorities with "up-to-date and accurate information in every corner of this

part of the empire". The other is to provide a basis for a new land evaluation for the purpose, he claims, of more equitable taxation. Subsequent developments suggest that the military can be very brutal. English audiences should not wince at that. Imperialism showed its nastier side in Ireland. Harder to take is the hyper-romanticism of the Irish in the first half of the 19th century. Every peasant, however drunken, carries a copy of Homer in his pocket. The entire rural population attends hedge schools where they imbibe arithmetic as well as the classics. They prefer to converse in Greek and Latin rather than stoop to English.

Perhaps we should put that down to poetic licence. The main practical criticism of *Translations* is structural. The play does not have an ending; it just stops. There has been the heavy hint of the murder of an English officer. The military is about to exact its revenge, first on the animals, next on the people. Then Hugh, head of the hedge school, begins a long speech about what came out of *Troy: Urbs antiqua fuit*. The curtain falls on, in the case of the Donmar Warehouse, out go the lights.

I suspect that this is Friel deliberately running away from the political tension he has built up. The best parts of *Translations* are not about imperialism, but rather slow changes over time, especially in relation to language: that includes local place names, which the English want to standardise.

Nor is the play particularly anti-British. Some of the young Irish actually want to learn English, if only for emigration to America. The more educated Irish can speak English anyway; it is just that they regard Ovid in English translation as sounding plebeian.

Yet while the play has its defects, it has some marvellous

spears in allowing a young English officer to communicate with an Irish girl in spite of the language barrier. "Say anything at all," says Zara Turner's Maire, "I love the sound of your speech." Tony Rohr's Homer-loving layabout believes in his cups that he has received a proposal of marriage from Pallas Athena and is seeing her father, Zeus, tomorrow. More seriously, Norman Rodway's Hugh goes into a discourse about endogamy or marrying within the tribe. He gives the word in Greek. It is a mild relief that he appears to accept exogamy - marrying outside the tribe - as well, but clearly it is the exception not the rule. Until Friel backs away, the message is that it is dangerous to truck with the English - almost, in other words, "Troops Out".

The refurbished Donmar Warehouse is setting high standards. *Translations* is

directed by Sam Mendes and there is an austere, wet hay-smelling set by Johan Engels. It fits the barren atmosphere; the only child mentioned in the play dies in infancy.

Donmar Warehouse, London WC2. 071-967-1150

Malcolm Rutherford

### PIANO AUCTION

Phillips, the Auctioneers, are now accepting entries for the next piano sale, to be held on Monday 19 July 1993. Closing date for entries: 28 June 1993.

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### Off The Wall

## Better times at the Fairs

ONE OF the more diverting scenes of an English summer is to watch the queue of millionaires snaking outside London's Grosvenor House waiting for the doors to open for the private view of the annual Antiques Fair.

Why they are in such a frenzy is hard to imagine. Are they really fighting over Constable's "The Wheatfield", on offer at Agnews for \$6m; or the life-sized statues of Queen Victoria and Prince Albert at Country Seat priced at \$54,000; or a rare signed Book of Hours of 1510 that Sam Fogg is selling for \$300,000? Well, yes, actually. The first man into the Fair rushed to the stand of new exhibitor Grace Wu Bruce and bought a Ming folding chair for \$150,000. He was one of the many Far Eastern dealers and collectors in the throng, which was encouraging for the exhibitors since this is the region that seems set to dominate the art market in the foreseeable future.

First stop for the Japanese, Taiwanese, Korean, and Hong Kong buyers in town was Eskenazi's new gallery of oriental art in Clifford Street, where his exhibition of "Early Chinese art from tombs and temples" was nearly cleaned out on the first day when 28 of the 48 items were sold, including four each priced at over \$1m. By Thursday he had sold 32 objects valued at more than \$10m.

Oriental art still attracts traditional western buyers, too. So while a Japanese museum paid over \$1m for a bronze and silver ox of around 350 BC, a marble votive statuette of around 450 AD went to the Cleveland Museum for \$1.5m. The grave goods that orientals are loath to buy, such as Tang horses, have western fans, such as the American collector who acquired one for over \$1m.

The first reactions from Grosvenor House dealers was that business this year, while still sedate, was a little brisker than last. Down the road at Olympia there was a surge of optimism when first day attendances clocked in 40 per cent higher than last year. Then came the hot weather, a falling off in numbers and a return to reason, but even so on Monday, when dealers re-stocked stands for the final six days, chairman Leslie Weller reckoned he supervised the biggest inflow of antiques since 1988.

Trade is definitely picking up, but as one dealer who has just completed his financial year complained: "My turnover is 20 per cent higher but my profits are still non-existent". Buyers know they are in the driving seat.

There are more signs of better times. The William Weston Gallery sold 24 of its 27 Matiseau etchings in two days, and at this week's auctions, while there is little interest in the mundane, the exceptional fetched good prices. Sotheby's had its best total, \$5m-plus, for a sale of Victorian pictures, and disposed of an Alma-Tadema for \$1.4m. It also managed \$925,500 from a Chinese bronze food vessel, and \$496,500 yesterday from Louis XV secretary by van Risenburgh.

And yesterday Christie's put the cap on an encouraging week with a Victorian picture with membership lapsing to under 200 working sculptors. Now an energetic president, Philomena Davidson Davis, is turning it round.

The Canary Wharf show includes works by sculptors who should join the RBS - and might if its revival continues. Most of the pieces are for sale at prices ranging from \$8,000 to the \$180,000 for a *jeu d'esprit* by Niki de Saint Phalle.

Compared with our morose painters, and their bleak vision, sculptors tend to be jolly people who are working hard. Glynn Williams, head of sculpture at the Royal College of Arts, reckons all his 18 new graduates this year will be gainfully employed as sculptors, even if most of their commissions come from overseas. In total the output of UK sculptors has been valued at around \$400m a year.

Most of the work goes overseas. But there is a revival in outdoor sculpture in the UK. The biggest commission in London, three sculptures, valued at \$250,000, to decorate the approaches to the Limehouse Link road to Docklands, has just been unveiled. All told there are now more than 40 pieces of public art in Docklands, and you can trace them through a new art map.

Last week the Art in the City Sculpture trail opened in the City of London, and this week the Arts Council-British Gas Working for Cities awards were announced, in which the Art in Public Spaces prize went to the Wakefield Cathedral Precinct. Contemporary art may be hitting its head against a brick wall of popular indifference but sculptors, who have moved beyond the abstract, seem to be more in harmony with the public mood.

auction which brought in \$5.8m and was 91 per cent sold. It set a new record for Alma-Tadema - \$1.65m for his spectacular "Roses of Heliogabalus", as well as artist records for Waterhouse, Strudwick, Metcalf and Marcus Stone. At last it looks as if the worst is over for the art world.

Down at London's Chelsea Harbour something is stirring at last. The place is being invaded not by shoppers, or diners, but by sculptors. The most important sculpture exhibition in the country for almost 20 years has brought 80 installations to the site, including works by Glynn Williams, Elisabeth Frink, Helen Jones, Lynn Chadwick, Michael Kenny and more.

The massive exercise is being underwritten by P & O, developers of the site. It has put up \$250,000 towards the cost, making it one of the largest one-off sponsorships. As well as attempting to resuscitate Chelsea Harbour the exhibition is also lifting the Royal Society of British Sculptors off the floor. "This distinguished body had fallen on hard times,

Antony Thorncroft reports on a good week at Grosvenor House

I had to sell my fiddle.

ARTHRITIS GOT THE BETTER OF ME

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## ARTS

## Elder takes his bow at ENO

THE CHAPTER is coming to its close. Two Saturday's hence, Mark Elder will conduct Verdi's *Macbeth* - the final performance of the current English National Opera season and under the current company troika. Thereafter Peter Jonas moves to the Intendant's chair of the Bavarian State Opera in Munich, while both David Pountney, ENO Director of Productions, and Elder, Music Director, take up the freelance life.

Typically for a conductor whose work has always been with energy, commitment and a sense of purpose, Elder is not letting himself out of the job gently - his final month at the Coliseum in London has been filled with nights on the podium. Typically, too, those nights have not been splashy. Neither *Macbeth* nor *Requiem* - the specially commissioned Jonathan Harvey opera, of which Elder last week led the superbly confident premiere - exactly counts as a conductor's show-off opera, even if each requires every last ounce of mastery authority in their musical direction. Indeed, in his Coliseum office, Elder pronounced the Harvey "one of the very hardest things I've ever done".

I had gone there to cull his thoughts about the past decade at the ENO - during which time the company became one of the most exciting in the world, a company with "attitude", where opera was put on in a spirit of innovative, sometimes provocative exuberance, and always - the key quality - theatrical engagement.

Elder is the Old Boy of the triumvirate. He had joined the company in 1974, and in December 1979 succeeded Charles Groves as music director - Pountney took over from Colin Graham (as director of productions) only in 1982, and Jonas from Lord Harewood (as artistic administrator) in 1985. He had known both Pountney and Jonas for a long time (Elder played bassoon in the Pountney trumpet in the

## Max Loppert pays tribute to the end of an operatic era

the Coliseum have risen so remarkably high over the last decade, so that even on those occasions when the production style seemed devised to drive traditionalists mad, the inspired quality of music-making could hardly be denied. How had that happened?

"In a gradual and sometimes painful way I had to try and set everybody's sights a bit higher. Some people resist the challenge, and rise with it, and do better than they've done, and feel better about themselves as a result; others can't keep up with the pace, and so you make changes of personnel, which are painful."

"One of the things that's been most encouraging and inspiring for me is to feel the company something like a liner moving away from the dock. You feel it gradually starting to happen. Throughout this period there have been crucial moments that pushed us forward in a sudden jump - such as the arrival of certain key players in the orchestra. Gradually during the 1980s, as London began to lose its position as the freelance capital of

the world, opportunities for session-playing diminished - with the result, for ENO, that vacancies in the orchestra were answered by a much higher grade of applicant.

"Thirteen years ago, one of the things I most wanted was a sense that every night there would still be a good standard of orchestral playing - which I didn't always feel to be the case in the 1970s. All of this is very difficult to do without incurring a certain dissatisfaction in the house. But I kept telling myself that any dissatisfaction we might be having now are better than those I felt in earlier days."

The vision of opera-as-theatre that unfolded during the 1980s was, as much as anything else, his response to such dissatisfaction. "When I joined the company, in 1974, I had already worked at Glyndebourne and Covent Garden and for the Australian Opera: three incredibly different companies. Right from my very first experiences I watched how things were done well, or not, and who was setting the standards."

"After I started at the Coliseum, I then had five-and-a-half years of watching the company at work, and being frustrated. Above all, the type of theatrical experience that the work offered was, I thought, not often enough vivid, acute and involving. The attitude seemed to be that the staging should never impinge."

"I just knew there was something more total that could happen. I had acted at school and university. I was gripped by theatre. Seeing such things as the *Brook Lear* was a revelation. In the opera house, apart from such occasional things as the Koltai designs for the ENO *Ring*, I never felt that design was an essential element of the theatrical experience."

"At Cambridge I had come alive to the dynamic power of dramatic music. But in 1976 I worked with Joachim Herz [the producer from former East Germany] and Jo Barstow on *Salamé* at the Coliseum. We'd never seen anything so con-



Mark Elder: a conductor who summed up the company's theatrical integrity and unity. The way Herz worked the singers was infuriating - he is very dictatorial - but never at the expense of the singers' individuality: many of them showed a new concentration. I suddenly thought, 'We need more of this!'

In the 1980s, "more of this" was what we started to get: productions by Pountney, Herz, Harry Kupfer, Graham Vick, Nicholas Hytner, and - most entrancing to traditionalists - the American David Alden, all demanding a new openness from audiences, and spurring performers to give their utmost. "The outstanding example of that was Alden's *Mozart*, in 1985. The '70s were full of producers who said, 'You lift your spear here!'

Anathema to me: that's completely anti-music. What was so great about David was his way of listening to the music, but trying to cajole the singers

with energy, commitment and a sense of purpose. London, and we want to make a lively experience for the public, give them something colourful, full of zest and attack and balls, if you like."

"But I failed to get this bel canto idea across only because there were so many other enthusiasms. OK, I didn't get my *Linda di Chamouni*, even a nice *Lucia* or *Elixir*, but I gave those up so we could do Janáček, Busoni, more Verdi. It was a question of balance. One reason it will be interesting for the company to have new leadership is that the balance will be re-set, the decisions will be made with different enthusiasms."

Does he want to lead another company, one day? "Yes, I think so. I believe in company life. There are still certain pieces I've never done, and others I haven't done enough. When it is good, it seems better than anything else. That won't change for me."

## Radio/B A Young

## Rousing tales

IN LAST week's *Feedback*, Chris Duckley was told that Radio 4's *Book of Bede* could be so stirring that some people could be kept awake. Listeners were so aroused by, say, John Hadfield's *Love on a Branch Line* that they could not drop off. Now Radio 3 offers daily *Sleepless Nights*. Someone - this week, pianist David Owen Norris - recalls hard moments from their life - perhaps tireless, but hardly liable to induce insomnia. Yet for safety's sake, it is scheduled at 9.55 pm. I have no time for those who hear a programme through and then complain of it.

If Lawrence Scott's *Witch-broom* at bedtime next week is disturbing, choices are to switch off, find another station, or (for me), keep Radio 4 on till eleven for *Two Way Out*, a Scots police serial that began on Thursday with a gruesome death. If you expect a disturbed night, have it properly disturbed.

Radio 3's Marlowe this week was *Edward II*, with able straightforward direction by Clive Brill - a few cuts, some scenes moved to underscore the order of events, lines read with intelligence if not much devotion to character. For the National in 1983 Olivier preferred a version by Brecht, few of us went along with that.

The plot tells of the peers' revolt against gay King Edward II (Robert Glenister) for frolicking with his boyfriend Gaveston (Robert Patterton) instead of ruling his country. Chief unruly peer is Young Mortimer (Steve Hodson), whom the King suspects of loving his Queen, Isabelle (Adjoa Andon) - though she, in fact, stays so loyal to her husband that when their son 15-year-old Edward III succeeds (Monty Allen, rather good), he has to send her to the Tower. Gaveston, captured by Mortimer and executed, is replaced in the King's affection by Young Spencer, no luckier. The rebel lords win and Edward is murdered in the horrible way we know about: Clive Brill gave us a long scream, horrible enough. The play is reckoned an influence in Shakespeare's *Richard II*. Shakespeare never heard Brecht, nor Colin Haydn

Evans. Evans's play *Gaveston* (Radio 4, Monday) has a new idea about Gaveston: Marlowe's lot make him "a Frenchman"; Brecht, an Irish butcher's son; Evans reverts to France - the son of Arnaud de Gaveston. A secret faith infects 14th-century Britain, holding that top folk are to be sacrificed for the people's good, as in the case of Jesus. Lancaster, Warwick and the Archbishop of Winchester belong to this cult, and Gaveston, exiled by the King, is chosen to enact their "Calvary". He is ritually slain on a northern hillside on Midsummer Day, his robbed executioner one Robin of Barneside, known as Robin of the Hood. I didn't believe a word of it. No "mighty lines", either.

I caught all I could of *Test Match Special* on Radio 5 and Radio 3, and fairly exciting it was, thanks to the players more than the commentators. Yet I thought the scenes after the game's end, with sponsors' cheques, champagne moments, and men of the match, were unendurably squalid. This is not cricket, not as I grew up with it.

## Poetry

## St Lucia finds a voice

THE TINY, volatile Caribbean island of St Lucia is a paradise of sorts, and Derek Walcott, this year's Nobel Laureate, is its most celebrated son. Walcott is most famous for his poetry, less famous for his plays and least famous of all for his paintings, though his painterly skills - as an observer of the abundance of natural life on the island, for example - are everywhere evident in the poetry.

By a happy coincidence, Walcott's reading from his epic-length poem *Omeros* at the Purcell Room in London this week coincided with the first publication of his Nobel Lecture, *The Antilles: Fragments of Epic Memory*. A theme common to both is the question of the status of the Caribbean and its indigenous culture.

To the Victorian traveller, the Caribbean was an illegitimate, rootless place. "There are no people there," said Froude, "in the true sense of the word." And even in our own day, a common Western attitude, no less patronising, has been one of elegiac pathos. It is a culture fit to be wept over - but not one to be taken too seriously. One of the most important consequences of Walcott's Nobel Prize is that it has given a legitimacy to Caribbean writing that many thought it lacked.

Walcott's 350 page narrative

poem embraces many themes and characters. In his reading he chose to concentrate on an under-explored thematic inlet: the characters and pre-occupations of Major Dennis Plunkett and his Irish-born wife Maud, a childless couple who settle on the island after the second world war.

The Englishman Plunkett is a study in post-imperialist disease. A veteran of Monty's African campaign, he has grown accustomed to playing the officer's pitch - all grit in the throat. The couple have retired to St Lucia because it is a place "where history cannot happen". (History, of course, disagrees.) They exchange the pastoral calm of rural England for the "loud-mouthed forests on their illiterate heights", and the problems and challenges of a society that has survived its French and English colonisers.

Walcott squats on a high stool for the reading, as if preparing himself, like Plunkett, for the first drink of the evening. He looks much younger than his 60-odd years. There is something imperious about the lordly nod he gives the audience in return for their tumultuous reception of his presence. This is the fourth time he has read from *Omeros* to a large London audience, and his lulling baritone sounds curiously disengaged for most of the 150-odd minutes that he reads - until he reaches the

final section of the poem, an account of Maud's death, which includes a marvellous mock-imperial flourish: "She was his orb and sceptre, / the shire of his peace."

This is followed by a catalogue of the detritus of Empire, all mimosa memories, ostrich-plumed Viceroy's and felt-footed houseboys. The shock of colliding with such marvellous poetry shakes Walcott into vigorous life in the closing minutes. And next time he comes he will perhaps read from something different...

What is the opposite of a Derek Walcott? Try Roger McGough. McGough, most companionable of the Mersey Poets, raced through a dozen jaunty family favourites in January last week. McGough's poems are not so much a plundering of the word board as the springing open of a delectable box of tricks - all puns, word play and happy chorus lines. An evening of Liverpoolian verve and patter of this kind even makes you wonder whether poetry might not be a particular sport after all. For all his virtues, Walcott never made it sound easy.

*The Antilles: Fragments of Epic Memory*. The Nobel Lecture. Derek Walcott. Faber, 32 pages, £2.99

Michael Glover

## A Cave full of treasures

The Cave is Steve Reich and Beryl Korot's ambitious, technologically dazzling, theatre piece: three hours of music, video images and computer graphics which gnaw away at our received definitions of what theatre, opera or music theatre ought to be. It received its first performance a month ago in Vienna, moved on to Berlin and then for the first week of the Holland Festival to Amsterdam, where it was presented in the wonderfully flexible space of the Goederenbeursaal in the old stock exchange building. In August it moves to London for a season at the Royal Festival Hall.

The Cave is an exploration of Reich and Korot's Jewish heritage, or more precisely the way in which part of that heritage, the story of Abraham and Sarah and their sons Isaac and Ishmael, is retained and shared in the memories of present-day Israelis, Palestinians and New Yorkers. The basis of each of the three acts is a set of video interviews with prominent citizens in West and East Jerusalem, and in New York; the images and the speech provide the starting point for both Reich's music and Korot's visual collages, as details of both are taken up and used as the jumping-off points for detailed development.

Both acts of processes are fascinatingly worked out, and neatly complementary; as the talking heads are projected on to one or more of the five video screens that dominate the "set" for *The Cave*, decorative details from the images may be shown alongside them or computer-generated texts reeled off in parallel in French, German, English or Arabic. Meanwhile the performers - four singers and the 13 instrumentalists of the Steve Reich Ensemble (conducted by Paul Hillier) - take up words, phrases, speech rhythms or pitch collections from the video voices and weave around them commentary and accompaniment.

The music produced is characteristic of recent Reich: *Different Trains*, the string quartet he wrote for the Kronos Quartet and which also used archive interviews, is the most obvious point of reference. The score is muscular, intricately worked, carefully judged. Each of the first two acts kicks off from the respective Jewish and Islamic responses to a set of questions that begins with "Who is Abraham?" and "Who is Sarah?" "Abraham for me is my ancestor" offers the first interviewee; "Ibrahim was neither Jew nor Christian, but a Muslim" asserts a Palestinian in the second act.

Both sets of responses are underpinned by the sound of the string quartet, though

when in both codas the focus changes and the screens offer a travelogue showing Jerusalem and Hebron today, keyboards begin to colour the sound world. The third act is altogether tighter and more colourful as the American responses set up all kinds of allusions - "Abraham Lincoln High School, high on the hill midst sand and sea, that's as far as trace Abraham", admits Richard Serra. The whole ensemble is brought in, and the musical climax is reached with a retelling of the story of Abraham and Isaac, when the music darkens and becomes overtly expressive. The ending is abrupt, matter of fact.

Reich and Korot have invented a richly woven tapestry, novel in its presentation, delicately balanced in the issues it raises. There are no overt political messages, but the historical undertow is inevitable in the first two acts - "The Cave" of the title is the place in which Abraham and the patriarchs are reputed to be buried; it is now the site of a mosque. And the sense of the US as hermetically sealed, cut off from that bundle of racial and religious issues half way across the world, is tellingly conveyed in the third.

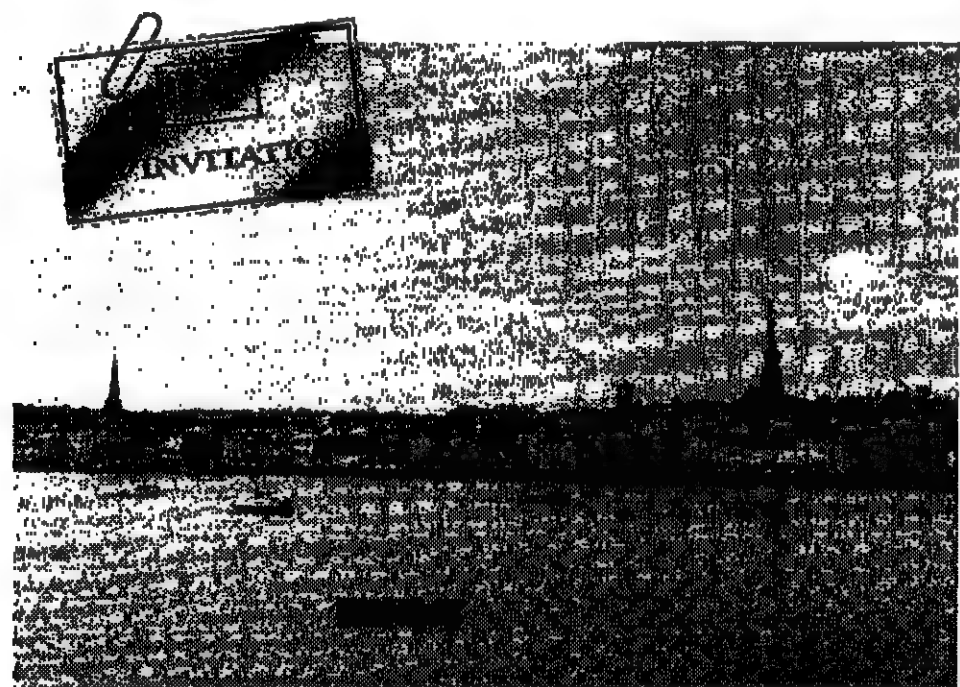
The third act, indeed, just over half an hour long, is a bracing and thrilling creation, fast-paced and full of wonderful visual and musical invention. The first two acts, though, are too long, especially the opening one, which takes 85 minutes to lay down the biblical background, and set up the compositional techniques. With insufficient contrast of approach between Acts 1 and 2, only (only) the change of religious emphasis, the cumulative musical impression is too diffuse; the audience has cottoned on to the use of the video images and the computer keyboards rapping out text.

Yet so much about the concept of *The Cave* is thoughtful and fresh that one almost forgives its longwindedness. Reich has sought out a genuinely new synthesis of sound and image. By the third act he and Korot are making it work, and that final half an hour more than justifies his faith and the audience's patience.

Performances of *The Cave* at the Royal Festival Hall, London run from August 18 to 33.

Andrew Clements

Chess No 978:  
1 Qg8 (threat 2 Ke5) cxd4 2 Kd8, or Kxd4 2 Qg4.

WEXFORD FESTIVAL OPERA  
in the company of the Financial Times

In a Financial Times review we described the Wexford Festival thus: "This remains one of the world's most remarkable festivals - genuinely festive on stage and off . . . with the combination of unquenchable enthusiasm and sometimes quite thrilling theatrical expertise." (FT 18th May 1991)

The Festival's objectives are firm and clear - to present unjustly neglected or rarely seen work to the highest international standards and to seek out new and exciting young talent. This October three productions will be performed: Tchaikovsky's *Cherevichki*, Paisiello's *Barbiere di Siviglia*, and Herold's *Zampa*. All are included in our FT Invitation over the last weekend of the month, together with forty other events on the official programme, and many more on the fringe. Together they create the unique festival atmosphere of the small town of Wexford.

We have arranged with Aer Lingus to fly FT readers from any airport served by the airline direct to Dublin, from where we will arrange to take you either by coach, or in your own hire car, to Wexford. There rooms have been reserved at White's Hotel (a few minutes walk from the opera house) for the duration of our suggested four day itinerary, though arrangements can, where possible, be adjusted to fit in with your plans, and required departure airport.

Though we have reserved only a limited number of seats, we anticipate that demand for this FT Invitation, which will include a number of unique features, will be high, so please complete the coupon now, to receive further details.

**Suggested Itinerary:**  
Friday 29th October  
Depart Heathrow with Aer Lingus at 9.55am. Arrive Dublin at 11.05am.  
Coach to Wexford  
Evening performance of *Cherevichki* followed by supper.  
Saturday 30th October  
Evening performance of *Il Barbiere di Siviglia* preceded by dinner.  
Sunday 31st October  
Evening performance of *Zampa* preceded by dinner.  
Monday 1st November  
Depart Dublin 1.15pm. Arrive at Heathrow 2.25pm.

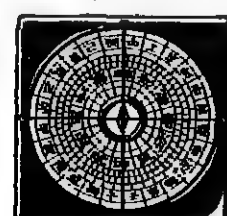
**Price: £595**  
Price includes scheduled air travel by Aer Lingus from Heathrow, coach transfers, lunch on outward transfer, half board accommodation at Whites Hotel (based on sharing a twin room with shower and wc.) and opera tickets for three performances.  
Single room supplement £75.  
Hire car available from Dublin airport for a supplement of £120 per couple.  
Alternative flights (times, dates or departure airport) can be quoted on request. All elements of this invitation are subject to availability; earlier Festival dates may also be available.

**This tour is organized on behalf of the Financial Times by J.M.B. Travel Consultants Limited, specialists in opera tours.**  
Addresses supplied by readers in response to this invitation will be retained by The Financial Times Ltd, which is registered under the Data Protection Act 1984.

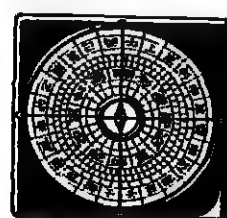
To: Nigel Pullman, Financial Times, Number One Southwark Bridge, London SE1 9HL. Fax: 071-873 3078.  
Please send me full details of the FT Invitation to Wexford (I wish to fly from Heathrow or (Please state alternative airport))

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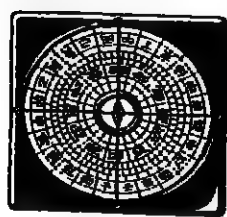
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## TELEVISION

## SATURDAY

## BBC1

7.00 *Contest Pages*, 7.30 *News*, 7.30 *Pinocchio*, 7.50 *The All-New Popeye Show*, 8.10 *The Girl from Tomorrow*, 8.30 *Footpath and Co.*, 9.00 *Parade*, 10.30 *Trooping the Colour*.

## 12.12 Weather.

**12.15** *Grandstand*, introduced by Steve Rider. Including 12.25 *Hanging*: Preview of the forthcoming week of action at Ascot. 12.35 *Motor Sport*: Round five of the British Touring Car Championship from Oulton Park. 1.00 *News*, 1.05 *Tennis*: The Stella Artois Championships. The French Open showed how strong men's tennis is. On grass, the sport has a new group of stars, and former Wimbledon champion Boris Becker and Stefan Edberg should still be in the running at this stage of the tournament. Commentary by John Barrett, Mark Cox and David Mercer. 6.30 *Scrutiny*. The work of the parliamentary committees.

## 6.50 News and Sport: Weather.

## 7.00 Trooping the Colour Highlights.

## 7.05 Coverage of this morning's military

## 7.10 The House of Commons.

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## BBC2

6.40 *Open University*. 3.00 *Film: Madeline*. Mystery drama, starring Ann Todd as a woman accused of murdering her husband. Directed by David Lean, and also starring Leslie Banks, Elizabeth Salter, Ivor Barnard and Norman Woodland (1949).

## 4.50 Tennis: The Stella Artois Championships.

## 5.00 News.

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## LWT

6.00 GMTV, 9.25 *Relay: The Ultra Tour*, 11.30 *The ITV Chart Show*, 12.50 *pm Movies*, *Movies*, *Movies*.

## 1.00 ITN News: Weather.

## 1.05 London Today: Weather.

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## CHANNEL4

6.00 *Early Morning*, 10.00 *Yours World Sport*, 11.00 *Gazette Football*, 12.00 *Sign On*, 12.30



# A social evil called tourism

Richard Tomkins questions the value to Britain of foreign visitors

**A**STRONOMICALLY speaking, summer does not arrive in the northern hemisphere until June 22. But in London, you can tell the season has started – less because the capital has briefly basked in sunshine this week than because it is bursting with the annual invasion of foreign tourists.

Britain is the world's fifth most popular holiday destination, but while many of its citizens have the occasional grumble about this phenomenon, few question whether it is a good thing. Spending by overseas visitors brings in more than £7bn a year in foreign earnings. Britons are told. The tourist industry contributes more than £25bn a year to the economy and provides 1.8m jobs. Many of London's theatres, shops and restaurants might close if the tourists stayed away.

Yet this is a bogus assessment,

for it looks at only one side of the equation. A proper analysis would start with the fact that British holidaymakers going abroad spend £3bn a year more than foreign tourists bring in, so the net effect is negative. But even leaving this aside, there are other costs that ought to be shown on the balance sheet.

One example is the cost of maintaining redundant emblems of the national heritage for tourists to gawp at, such as old buildings, oddily-attired soldiers and the royal family. Another is the cost to British taxpayers of providing foreigners with subsidised arts and enter-

tainment, subsidised transport, and public services such as refuse collection and policing. And what figure shall we put on the costs of the traffic congestion caused by hundreds of tourist coaches grinding around the capital each day?

The benefits of tourism, meanwhile, are not what they are cracked up to be. Take those 1.8m jobs. Pickpocketing, drug peddling and prostitution aside, most are not only degrading and servile, but extremely badly paid. Certainly in the capital, it is rare to find any cases where tourism provides jobs for the indigenous population. Brit-

ons would sooner beg on the streets than wash other people's dirty bed linen, grill their hamburgers or sweep up their litter.

As for the theatres, shops and restaurants that would be imperilled if the tourists stayed away, still unexplained is the mystery of how they thrived for so long before the tourists arrived. For theatres, the most obvious effect of tourism has been to reduce diversity by encouraging the proliferation of mindless musicals that foreigners can tap their toes to without needing to understand the words.

And what of the tourists them-

selves? Do they really derive any pleasure or benefit from watching the changing of the guard at Buckingham Palace, being cheated by the street vendors that prey on them, or eating hamburgers in different branches of McDonald's? Not at all: they gain nothing in terms of enlarging their understanding of another culture. They are simply country-spotting, collecting passport stamps and snapshots with which to impress their neighbours once they are back home.

In short, the time has come to recognise that if tourism confers any benefits at all, they are far out-

weighed by the disbenefits. Ideally, it should be abolished: but since freedom of movement is a human right, a more cautious approach will have to suffice.

One possibility would be to start recognising tourism as a social evil, like smoking or drinking, and to forbid activities which promote it. As a first step, all tourist offices would be closed, and the vast sums used to finance them diverted to more productive ends. And as an interim measure towards the prohibition of tourism advertising, legislation would require all tourist advertisements to be accompanied

by the warning: "Tourism damages your country's health."

Planning policies would also change, so that any application that held the possibility of encouraging tourism would be refused. Heavy tourist taxes would be introduced, partly to discourage people from indulging in tourism in the first place and partly to ensure that those who persisted in travelling compensated society for the costs of their habit.

The trouble is, all this could prove too controversial for Britain's beleaguered government. There is, however, an alternative. Last time Britain was faced with the threat of an invasion, during the second world war, its citizens stopped talking to strangers and turned all the signposts round so they pointed in the wrong direction. Desperate times call for desperate measures: it is time to resume hostilities.

Private View/Christian Tyler

## When every citizen has his shout

**L**ONDON will be treated next week to the spectacle of an Athenian trireme of the Fifth Century BC – the fastest, sleekest wooden warship in history – paddling down the river Thames to call on the mother of parliaments at Westminster.

The trireme *Olympias* has been freighted from Piraeus to provide the climax to a little-remembered anniversary: the invention of democracy 2,500 years ago in Athens, by Cleisthenes the Alcmaeonid.

As it happens, *Olympias* is more than a symbol of the technological cunning and maritime imperialism of ancient Attica, more than a symbol of the Greeks' political legacy. She is also a product of British philhellenism.

Until a few years ago most experts said the trireme, a two-masted ramming machine powered by 170 citizen oarsmen arranged in three tiers, was a mechanical impossibility. Then two British scholars, John Morrison, a classics professor, and John Coates, a former chief naval architect at the Ministry of Defence, assembled the evidence, reconstructed the design and persuaded the Greek navy to build it.

The Athenian trireme turned out to be real. But how real was Athenian democracy?

I took the question to Sir David Hunt, a classical scholar and diplomat, a 79-year-old polymath and polyglot who is married, as it happens, to a Greek-Cypriot wife.

Sir David trained as an archaeologist and has what is usually called a first-class mind. His retirement hobbies, when he is not devouring books (at present the essays of A E Housman and the plays of Aphra Behn), include reaching the finals of *The Times* crossword championship and winning – twice – the *Mastermind* challenge on television.

He got a First at Oxford, naturally, and became a Fellow of Magdalen College. During the second world war he served on General Alexander's staff. Later he was seconded as private secretary to both Clement Attlee and Winston Churchill before becoming high commissioner to Nigeria (during the Biafra War), Uganda, Cyprus and ambassador to Brazil.

His discourse is encyclopaedic and interlarded with phrases I had thought extinct, such as "Bless my soul" and "Capital". But the old-buff act is a ploy. As they say in clubland, Sir David knows his stuff.

He explained how in 508-7 BC Cleisthenes the Alcmaeonid proclaimed the doctrine of "isonomia", or equality under the law, and reorganised the voters into 139 constituencies to elect the Committee of Five Hundred (equivalent to the British House of Commons). He left intact the Council of the Areopagus, consisting of former magistrates (like the

House of Lords) but all laws proposed by the "parliament" were to be submitted to the *ekklesia*, the mass meeting of citizens (no women, no slaves) in the market place.

"This is the vital difference between Greek and present-day democracy (I shall treat Britain as a perfect democracy)," he said. "One is participatory and the other is representative."

I mentioned the row over Maastricht and public demands for a referendum. Should we bring back the *ekklesia*? We would not have to go to the

market place. With television we could vote at the touch of a button...

"The danger is, first, that you put perhaps an oversimplified question to the electorate. Second, if people as a whole are consulted you are very liable to get false reactions. If I may refer to Thucydides, that was illustrated by the debate about the revolt of Mytilene in which the demagogue Cleon incited the assembly (in 427 BC) to decide to execute all the males and sell the women into slavery. The next day another

demagogue reversed it and a 'fast trireme' was sent to overtake the first. Voters may be swayed by oversentimental arguments."

Is that worse than being swayed by slogans got up by an advertising agency for the purposes of winning a general election?

"Don't forget that for the purposes of winning a plebiscite advertising agencies on both sides will also be inventing slogans," he replied.

Sir David regrets the decline of the classical art of rhetoric,

which in Britain he associates with Stanley Baldwin's hatred of the flowery-tongued David Lloyd George. On top of that, television required that a speaker should look good. "In the days of Abraham Lincoln you had to have something, some ideas. Now you make a few cracks thought up by your staff, to last not more than 40 seconds."

In ancient Athens, political participation was seen as a civic duty. The problem of backsliders was simply dealt with. On voting days a couple

of slaves would be sent through the agora carrying a rope dyed red and herding the people towards the assembly place. Any citizen found with red on his clothes was fined. Because modern citizens are not permitted to vote between elections, I suggested, their participation was feeble. Should we bring back the red rope?

"I think you're exaggerating there," Sir David said. "In Britain you do get a turnout of about 80 per cent, whereas in the US 51 per cent is considered pretty good. Of course in some countries voting is compulsory. I don't think we do too badly."

Another feature of ancient democracies was that certain public officials were chosen by lot. Any merit in that?

"No. It may give you some hope. Ballotting may do too, of course, but at least there is some kind of reason why you've got that one. More often than not it produces outstandingly good results... think of the way the parliamentary system won the last war. We were told so many times by Hitler and Mussolini that democracies were inefficient talking shops and what was wanted was firm leadership."

And we gave Hitler half of Europe...

"...before we beat him. Yes, I agree with you there. But in the end, when it came to the real crunch, the athletic, 'scientific' dictatorships lost."

What about ostracism? Is that a good device?

"Alas, no. They discovered a method of defeating it." In a political trial of strength the two antagonists learnt to collaborate and instructed their supporters to mark their potsherds (*ostraka*) with the name of a third party. Thus the pro-demagogue Hyperbolus in 417 BC found himself sandwiched between Alcibiades and Nicias. He was sent to Samos where he was later murdered.

Was Norman Lamont ostracised?

"Yes, I think he was," Sir David meant that the former chancellor could be seen as the proxy victim of an internal party contest, sacrificed to public (that is, press) opinion.

The Athenians had factions but no real political parties. Was that preferable?

"I believe the development of parties to be the most important thing in the whole democratic process," Sir David said. "You cannot really carry on a proper discussion of public affairs unless you can get up a debate if everybody is a man of goodwill and agrees with each other. You must get 'em going, you must have debate, and therefore you must have parties."

I asked: doesn't history show that democracy is a rather rare and unnatural thing?

"Certainly if you take the whole of history from 800 BC

to 330 AD, the period occupied by democracy was pretty short, I agree. But on the whole it was the best time. They did best under democracy. It is what they chose when they were free, independent and powerful. And I think the same is true of modern times."

Due partly to the influence of Plato and Aristotle (neither of them keen democrats) there was a long hiatus, through the Middle Ages and up to the modern era, when democracy languished except in places such as Iceland and Switzerland.

**Democracy was invented 2,500 years ago in Athens. Scholar and diplomat Sir David Hunt discusses whether we have improved on it**

land. "And maybe Andorra," he added, "though I'm not all that strong on the medieval history of Andorra."

Developing countries today – in Africa for example – though they did not practise democracy at least claimed to do so. "Usually they are gangs of crooks, murderers and thieves who are there simply for the purpose of taking money from every source they can find and putting it into Swiss bank accounts – and they still call themselves the People's Democracy of Whatever-it-may-be. It's the tribute vice pays to virtue."

Is our idea of democracy really the same as the Athenians'? Isn't ours much less mechanical, much more about individual liberty?

"I really do believe ancient Greek democracy was libertarian in its ideals. I really do think the motive behind democracy was that one man was as good as another."

"Alright, I can think of

plenty of exceptions – add in women, and you've got a very large exception. Nevertheless, it is a fact that Greeks – the Greeks I'm talking about now, Athenians in the sixth century – really did think that one man ought to be as good as another, at any rate in the way he was treated. They knew people are not really equal; they must be treated as if they were. This is a political fiction, if you like, but an exceptionally useful fiction."

Was this idealism, or rather the suspicion that if you did not pretend to treat people equally eventually they would come with pitchforks and th you out?

"I think the former. It was partly religious, partly the rationalising of Ionians who liked to treat men as atoms – different in terms of individuality but important in the mass."

I was not quite ready to let go: nevertheless, aren't we guilty of taking too sentimental a view of ancient Greece?

"Yes is the answer to that – and a jolly good thing too," burred Sir David. "But I see what you mean and I will now reply properly to your question."

"The Greek democracies had many abhorrent tendencies. This was pointed out, I may say, by Greek observers at the time. The extreme democrats of Athens were at the same time the most brutal imperialists. They were not sentimentalists – they never had an 18th century."

"But, they did have an ideology in favour of freedom. It was a fact you could always get a majority in the assembly in favour of saying all Greeks everywhere ought to be free. You didn't give a damn about barbarians, but Greeks ought to govern themselves, dammit!"

"Although I've been condemning 'em, they had their bright side. And it was this side that has the hope for the future. Because in the world as a whole it is a good idea that people everywhere should be free to govern themselves. It's quite likely they will govern themselves better than other people will govern them."

## Love and peace and (lost) dreams

The Sixties are back – and we've never had it so bad, says Nigel Spivey

**T**HE Sixties are in. In and groovy again, as the woolly liberal outfit lovingly dusts down its memories of Paris 1968. They were there: Left Bank and Right On, hanging loose and tripping hard; forging iron in the soul, growing grass on the brain. All right, they argue now, we never did get love and peace; but at least we tried. We had *ideals*, we did it with flowers and beautiful intentions.

When we danced to the sound of breaking glass, we were really gyrating to hope-heavy vibes. It was all in the cause of a better world, you see: the youth of today just don't care...

I have some problems with this. Yeah, I take a kind of glib view of all that stuff. Including the wretched parlance of sub-McLuhian communication. My own theory is that the 1960s are responsible for just about everything that currently poisons our existence. I asserted as

much to one of the decade's apologists, who has challenged me to document this slur on her kaffian-clad peers. And don't go on about Sir Hugh Casson's carbuncles, she said, because the South Bank complex started in 1951.

Well, here is part of my answer: the first entries of an alphabetical catalogue of 1960s catastrophes, duly omitting Hugh Casson and his blocks for commuters.

You might prefer to think of these two simply as a disastrous aristocratic couple; or as the two most horrible components of one *annus horribilis*, 1963.

Beeching, Lord. Checking his vignette in Anthony Sampson's *Anatomy of Britain*, I find Beeching commended for his surgical ruthlessness and hailed as a hero. Poor Anthony Sampson. But the real victims of Beeching's butchery were not the little Welsh stationmasters who had the lobellias swept from their

waiting-room windowboxes, nor the pipe-chewing peasants who boarded at Fiddle Magna. They are all those hapless citizens now condemned to circulate these over-crowded, tarmac-laden isles in stinking solipsistic cars.

One day – not far away – when the

**HAWKS & HANDSAWS**

64m cars have almost stunk us out of our own habitat, we shall have cause to pore over old Ordnance Survey maps, and tragically reflect that there was once a sane and sociable system of transport in our country. It would not be the first or last time that a civil servant has acted in the interests of short-term gains of

efficiency: but if Beeching was a Sixties hero, then the Sixties are damned for a rotten taste in heroes. Heroes ought to have vision; if Beeching had gazed even ten years beyond his surgical axeing and pruning, he would have known that his reforms were not for the health of the nation, but its ruin.

Chatterley, Lady. In spite of his beard, D.H. Lawrence would have been an unhappy man at Woodstock. And anyone who knows their Lawrence will appreciate that the lifting of the Chatterley ban, considered as another typical Sixties event, would have been repugnant to the author himself. As a sales stunt by Penguin Books the trial was bad enough. But if Lawrence could see the direct line of descent he spawned, from *Lady Chatterley* through *Oh, Calcutta!* to Jilly Cooper, I believe he would have chewed up his own manuscript in rage.

The aim of *Lady Chatterley* was to

get the British to stop sniggering about life below the navel. Its issue in mass paperback did nothing of the sort. Quite the opposite: prurience, formerly restricted to seaside postcards, became ubiquitous. So not only did it signal the eclipse of what Jilly Cooper so charmingly calls the "honkless novel", but it created a new field of copy for ephemeral publication.

From the Profumo affair to the toe-sucking headlines of the 1990s, we are still sniggering and itching to know. Much better to have kept *Lady Chatterley* as a minor collector's item, a literary curiosity. The "permissive" effect of legitimising transgression as a form of vulgar entertainment. They made the bed and forced us not only to lie in it, but nudge-nudge everyone else to advertise the fact.

Shall I go on? This is a compendiously damnable list, right up to Wilson, Harold, and Zurich, gnomes of. But I rest my case.


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## NEWS: INTERNATIONAL

# Aids epidemic poised to sweep the developing world

'In some Ugandan villages there is no one between 20 and 40, only children and grandparents'. Paul Abrahams reports

IN the red light districts of Ivory Coast's capital, Abidjan, the virus that causes Aids is running rampant. Among prostitutes on the city's streets 80 per cent are HIV-positive. Among their clients, who pay less than \$4 a time, only a quarter are willing to use condoms, the best method of preventing sexually transmitted diseases.

The effect of such levels of infection among prostitutes is wreaking a devastating effect on Abidjan's more general population. One in six pregnant women is now HIV-positive. Most say they have slept only with their husbands.

Although HIV and Aids remain a significant problem in the western world, delegates at this annual Aids conference in Berlin this week were repeatedly told the epidemic is going to hit the developing world disproportionately hard.

About 90 per cent of the 14m people estimated by the World Health Organisation to be infected by the virus live in developing countries. It calculates most of the 40m people infected by the end of the decade will be in the developing world. The sheer scale of the problem in Africa, Asia and Latin America requires the world's attention.

Suggestions that the scale of the epidemic in Africa has been exaggerated were dismissed by the continent's health workers.

"It is merely cynical to say there is no epidemic. In some villages in Uganda there are no people between 20 and 40, only children and their grandparents," argues Mr Elhadji Assy, an executive of the international council of Aids service organisations. "It is time to recognise that the virus, illness and epidemic exist."

But although the prevalence of Aids is well documented in Africa, the most rapid increases in the disease are occurring in other developing regions.

"While Africa suffers the explosion of Aids cases as a result of infections ten years ago, it is in south Asia and south-east Asia that we are seeing a rapid increase in infection," warned Dr Michael Merson, director of WHO's global programme on Aids. WHO estimates there are 1.5m infected by HIV in south-east Asia, and 1m in south Asia, mostly in India.

"The growth in south and south-east Asia can only be described as explosive," warned Dr Merson. "In Thailand, for example, in early 1990 there were more than 50,000 infected people. By late 1992, there had been a ten-fold increase with an estimated 450,000 infected," he said.

Studies in Thailand's northern districts show that 7 per cent of military recruits were HIV-positive. In Bangkok, the Siriraj hospital reports the number of pregnant women infected increased by 60 per cent between the last quarter of 1991 and the same three months in 1992.

In India, too, the rate of increase of infection is alarming. More than 30 per cent of prostitutes in Bombay are HIV-positive, and the prevalence in the general population has increased from 1.87 cases per 1,000 in 1991 to 23.97 per 1,000 last year. "The epidemic has the potential to reach unprecedented levels in India," warned Dr Shiv Lal, a director of India's national Aids control organisation.

The epidemic is striking hardest in those countries least equipped to cope with the disease. In many of these countries primary health care

is minimal and services have been overwhelmed. WHO calculates that in some African cities, up to 70 per cent of hospital beds are taken up by patients with Aids-related diseases.

The Zambian health service, for example, has been engulfed by the demands of the country's 300,000 patients with Aids or Aids-related diseases. The annual cost of treating them is \$64.4m, money that the country can ill afford.

In some African states, lack of resources is assisting transmission of HIV. Delegates were told that in Cameroon there were insufficient funds to establish safe supplies of HIV-negative blood. As many as a quarter of patients, unable to pay for the blood offered to them to be tested, accepted potentially contaminated blood.

Scientists at the conference admitted the chances of finding a cure or

vaccine to combat HIV in the medium term were remote. The chances of finding anything that was affordable for developing nations was even less likely.

WHO believes the main priority must be to prevent the epidemics in the developing world spiralling out of control. It has called for \$2.5bn a year to invest in anti-HIV programmes in developing countries - a 10-fold increase on current spending. The organisation calculates this could bring \$90bn of savings in direct and indirect costs by the end of the decade, by preventing 4m infections in Africa, a similar number in Asia and 1m in Latin America.

Dr Merson claims: "The initiative would provide a significant return in financial terms, but above all an incalculable yield in diminished human suffering."

## Du Pont 'knew of Benlate defects'

By Karen Zagor in New York

FLORIDA officials have subpoenaed officials at Du Pont, the leading US chemicals group, after concluding from company documents that Du Pont knew its Benlate fungicide had caused crop damage but failed to act.

Du Pont suspended payments on Benlate-related suits in November, after extensive research, during which the company said it could not duplicate the effects attributed to Benlate.

Florida crop growers allege the fungicide caused \$1bn in crop damage through stunted growth, root damage, twisted and deformed leaves and poor yield. Although most lawsuits centre on crop damage, a few allege that Benlate caused birth defects.

In a letter to Mr Bob Crawford, Florida's agriculture commissioner, Du Pont said: "The issue is whether Benlate, at label rates and under conditions of ordinary commercial use, caused the plant damage reported by growers in Florida and elsewhere after March 1981. Based on all of our scientific testing, the answer is a resounding 'No'."

Florida officials allege that internal documents show incorrect labels on the product. Mr Edgar Woolard, Du Pont's chief executive, and other officials have been ordered to testify at the state Capitol in July in an effort by the Florida Department of Agriculture to prove that internal documents show the company knew the fungicide had caused problems.

## Court ban fails to halt Nigerian poll

By Paul Adams in Lagos and Agencies

NIGERIA'S presidential election will go ahead today as planned in spite of a court ruling ordering a postponement, the National Electoral Commission (NEC) said yesterday.

"For the avoidance of any doubt I wish to restate that the presidential election scheduled for tomorrow... will go on as planned," NEC chairman Humphrey Nwosu said in Abuja, Nigeria's federal capital.

Mr Nwosu's announcement appeared to put Nigeria's programme for the return of civilian rule back on track, ending a day of high political drama. Nigerians had waited anxiously for the reply by the NEC, a creation of the country's military rulers, to the Abuja high court which ordered postponement of the election.

The court ruled on Thursday that the first presidential poll since 1993 should wait until the full hearing of a petition by a group wanting army president, Mr Ibrahim Babangida, to stay in power until 1997.

But the NEC chairman said the court order was overruled by the provisions of a military decree issued this year which said no court had the power to stop an election.

Mr Nwosu said the decree was "a deliberate legislation on the part of this administration to protect the higher interests of the majority of Nigerians in the implementation of the political transition programme".

The last-minute hitch raised further doubts over whether Mr Babangida intends to hand over to civilian rule on August 27.

Dr Beko Ransome-Kuti of the Campaign for Democracy, yesterday said: "We still do not believe that Babangida wants to go. He is making the simple process of handover the most complicated thing in the world."

The case was brought to court by the Association for Better Nigeria, which is campaigning for a four-year extension of military rule, and alleges malpractice by the political parties in the run-up to the elections.

The association is led by businessman and former presidential candidate Mr Arthur Nworie, who has close links with the presidency.

Although the government has made no attempt to stop the association's operations, political meetings by groups opposed to continued military rule have frequently been broken up by the security forces.

Voting in today's election is expected to follow tribal and regional loyalties. The National Republican Convention (NRC) candidate, Mr Bashir Tafa, is a Moslem from the north where the party has traditional support among the Hausa-Fulani and other mainly Moslem groups. The choice of Mr Sylvester Ugo, who was a central bank governor of the former breakaway Biafran state as his running mate has also bolstered his support in the mainly Christian south-east.

Mr Moshab Abiola, the candidate of the Social Democratic party, has the backing of his fellow Yoruba in the south-west and his party is strong in the north-east.

The US embassy in Lagos had said the US government would view any postponement of the polls with grave concern. But Nigeria condemned the US statement as unacceptable interference.

Britain and other EC member states have sent diplomats, MPs and officials to most of Nigeria's 30 states to observe the elections. All political rallies have been banned until 4pm today, while the open ballot system, which was vulnerable to vote rigging in previous presidential campaigns, has been modified.

## British manufacturer to strengthen its regional airliner range

### BAe plans new turbo-prop aircraft

By Paul Betts, Aerospace Correspondent in Paris

BRITISH AEROSPACE plans to launch two regional turbo-propeller aircraft programmes by the end of the year to strengthen its family of Jetstream commuter and regional airliners.

The company, which has restructured its turbo-propeller activities by concentrating them at Prestwick in Scotland, said yesterday at the Paris Air Show it was discussing with the UK department of trade and industry the \$450m funding of the two projects.

These will involve development of a 72-seater Jetstream 71 and a 50-seater Jetstream 51 to complement

the existing Jetstream range, which includes the 19-seat Jetstream 31, the 29-seat Jetstream 41 and the 64-seat ATP (advanced turbo-propeller) aircraft.

BAe is also stepping up discussions with international partners to try to form a broader strategic alliance in the turbo-propeller business.

The company is now adopting a similar approach to its turbo-propeller activities as for its 146 regional jet business which has been turned into a joint company with Taiwan Aerospace.

As part of its restructuring programme, BAe also transferred all its Jetstream and ATP activities to Prestwick where it employs

about 2,400. It is spending £27m this year to improve the Prestwick plant.

Mr Allan MacDonald, managing director of BAe's Jetstream subsidiary, said the new products would give a clear signal to the market that BAe was serious about staying in the turbo-propeller business. It would also strengthen the company's hand in negotiating a strategic alliance with international partners as part of the rationalisation of the commuter and regional aircraft industry.

"There are too many manufacturers and products in this market, but we want to lead the process of rationalisation," Mr MacDonald said.

The reorganisation of Jetstream activities at Prestwick would take 24 to 36 months, he added.

The business earns about £250m a year but this is expected to grow to £350m-£400m a year after the new products are launched and the reorganisation is completed.

He said the new aircraft programmes would help sustain employment at Prestwick.

Avro International, BAe's new regional jet joint venture company with Taiwan, announced yesterday it had won an order worth \$140m from the Turkish national airline THY. It involves firm orders for five regional jets and options for an additional three.



ON A WINNER: President Rafsanjani casts his vote yesterday

## Rafsanjani to sweep Iran poll

IRANIANS went to the polls yesterday, with President Akbar Hashemi Rafsanjani widely expected to retain power in a landslide victory, Reuters reports from Tehran.

Mr Rafsanjani faced challenges from three rivals, all of whom professed few differences with his policies - university president Abdullah Jasbi, right-wing economist Ahmad Tavakoli and former member of parliament Rajabali Taheri.

Each has said he broadly agrees with Mr Rafsanjani's economic and political liberalisation and each had the stamp of approval of the clerical Council of Guardians which endorsed them as true heirs of the 1979 Islamic revolution.

Authorities have mounted a media campaign calling for a big turnout to show the continued popularity of the 1979 Islamic revolution.

## Ukraine to keep nuclear arms for up to two years

By Christy Freehand in Kiev

UKRAINE will temporarily retain nuclear missiles on its territory, possibly for up to two years, Mr Ivan Plushch, chairman of the Ukrainian parliament and a member of the ruling troika, said yesterday.

Mr Plushch said that escalating tensions between Ukraine and Russia were the principal reason for Kiev's hesitation to surrender its nuclear weapons.

He said relations between the two Slav neighbours had become particularly strained recently, and accused the Russian government of making overt territorial claims on Crimea and of initiating an "economic blockade" by cutting off oil supplies to Ukraine two days ago.

Mr Plushch said that parliament would ratify the Strategic Arms Reduction Treaty (Start I) before the

summer recess. The treaty covers 130 Russian-made SS-19 inter-continental ballistic missiles stationed on Ukrainian territory. But he said the legislature was unlikely to accede to the Nuclear Non-Proliferation Treaty soon.

A split decision such as this would leave Ukraine in possession of 45 Ukrainian-made SS-24 ICBMs.

Mr Plushch's comments contradict Ukrainian President Leonid Kravchuk's repeated assurances this week to senior US and German leaders that the Ukrainian government remains committed to rapid ratification of both Start I and non-proliferation.

But it is the legislature that will decide. Mr Plushch hinted that Ukrainian scientists were working to develop negative technical control - or blocking power over the 45

Ukrainian-made missiles.

"In terms of these 45 missiles, to develop a negative trigger is a question of one or two years," Mr Plushch said. "Who knows, maybe this mechanism already exists."

According to US and Russian specialists negative control over the missiles is a short step from positive operational control - a technology which would make Ukraine a true nuclear power.

US and Russian experts have recently voiced concerns that Ukraine has launched a secret programme to obtain direct control of some of the nuclear missiles on its territory.

The growing strength of the pro-nuclear lobby in the Ukrainian parliament comes at a time when the fledgling nation is facing a double political threat: mounting tensions with Russia and an increasingly volatile domestic political climate.

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## NEWS: INTERNATIONAL

## Miyazawa defends global trading role Recovery in autumn, says central bank

By Peter Norman, Economics Editor, in Tokyo

MR Kiichi Miyazawa, the Japanese prime minister, yesterday firmly rejected any new boost for the Japanese economy, and, at a time of tension with the US over Japan's huge trade surplus, robustly defended his country's role in the global trading system.

He said he believed Japan was on the road to recovery, with the fiscal stimulus packages of April and last August "more than sufficient to help Japan's economy back on track". Japan was just as open to imports as the US and EC, he said, and was contributing most towards the conclusion of the Uruguay Round of trade liberalisation talks.

While expressing confidence that over time the market economy system would bring prosperity in the post-Cold War world, he was doubtful about the future of Russia and other former Soviet republics.

"No one is quite sure if the former Soviet Union will be democratic and will have a market economy," he said. Aid for Russia would be the biggest issue at the July 7-9 economic summit of the Group of Seven (G7) leading industrial nations in Tokyo, he predicted.

At the same time, Mr Miyazawa promised that Japan would play a bigger role in world affairs, especially through the United Nations.

But while Japan would like to be invited to join the UN Security Council as a permanent member, it "would not campaign" for such a position.

"It is not a question for Japan alone," the prime minister observed. "If we take a



Kiichi Miyazawa: looking for economic recovery after the fiscal stimulus packages of April and last August

strong approach, we might hamper the functioning of the Security Council.

Japan realised that achieving its goal, which is supported by the US but likely to be opposed by other Security Council members, would be a "very long process," he said.

Looking sprightly and crack-

ling an occasional joke, the 73-year-old leader pointed out that Japan's most recent \$116bn (£76bn) economic stimulus package was seven times the size of president Bill Clinton's programme to boost the US economy, and, unlike the US measures, had passed their parliamentary hurdle.

On trade, virtually the only issue standing between Japan and a successful settlement of the Uruguay Round was its protection of rice growers, which was "not supposed to be a major issue for either the US and Europe," he said.

To promote a Uruguay Round market access agree-

ment in time for the Tokyo summit, Japan had offered tariff concessions on 770 manufactured items and was prepared to cut its average tariff to 1.5 per cent from 3.6 per cent.

The prime minister cited International Monetary Fund figures to show that Japan imported as much per head as

the US or the EC: some \$1,900 in 1991 against \$2,000 for the US and \$1,800 for the EC from non-Community countries.

Japan was not a "fortress" Mr Miyazawa insisted. Nor would east Asia become a fortress, because the economies and societies in the area were too diverse. Indeed, Mr Miyazawa took a relatively sanguine view of the emergence of regional trading blocs. Neither the EC nor the North American Free Trade Area (Nafta) would turn into economic fortresses because of the power of modern global communications to prevent this.

However, he voiced one concern held strongly in Japanese business circles. European integration and the disappearance of internal barriers in the EC had created problems for Japan, he said. Restrictions were being placed on European car imports, which were against the spirit of free trade integration in Europe, he said. "This was a 'problem we may have to sit with for a little while'."

He promised that, at the Tokyo summit, Japan would raise by about 50 per cent its overseas development assistance and the so-called recycling resources - loans, guarantees and export credits - made available to developing countries. The increased spending plans would replace aid and loan allocations that have totalled about \$50bn over the past five years.

The prime minister said Japan "must contribute as much as possible" to issues such as arms control and disarmament and in international efforts to deal with the problems of refugees, disease and the environment.

By Charles Leadbeater in Tokyo

THE Bank of Japan in its quarterly survey of the economy published yesterday conspicuously failed to back up the government's assessment that the Japanese economy has hit the bottom of its long downturn.

The central bank said it was too early to say the economy had bottomed out because consumer spending and capital expenditure were still depressed.

On Thursday, the head of the government's Economic Planning Agency provoked controversy and criticism from business leaders and the powerful industry ministry after he said the agency's quarterly report suggested the economy was bottoming out.

However, the bank believes the trough of the recession will be reached in the next few months, paving the way for a moderate recovery from the second half of this fiscal year which began in April.

It believes consumer spending will pick up as consumers start to replace durable goods they bought in the 1980s. This will be underpinned by the ¥24,000bn (\$148.6bn) of emergency public spending the government has approved over the past year.

The bank's quarterly Tankan survey of business sentiment found that the key gauge of corporate confidence had stopped declining for the first time since August 1989, its last peak.

The index of business conditions for major manufacturing enterprises stood at 49 in the

survey, conducted in May. The February survey also recorded sentiment of 49. The index measures the difference in the percentage share of companies reporting business conditions as favourable, minus those reporting it as unfavourable. The measure has declined from -24 a year ago.

The bank warned that the survey of 716 large enterprises was taken while the yen was trading at ¥110 to the dollar. Since then the yen has strengthened further to about ¥106 to the dollar, which is likely to have further depressed the short-term outlook for exporters.

The index of business conditions for non-manufacturing enterprises fell from 33 in the February to 36 in the May survey.

Manufacturing companies reported a slight improvement in the balance of demand and supply for their products and a reduction in their inventories. A balance of about 31 per cent of companies reported they had excess inventories, compared with 38 per cent in February. A continued reduction in inventories could lead to a pick-up in industrial production in the second half of the financial year.

However, the survey suggests Japanese manufacturers are facing intense price competition, partly as a result of the strengthening of the yen, which is likely to eat into their profit margins.

Among manufacturers the index of price conditions, which measures expected increases in output prices against expected falls, stood at 33.

## Japan ready to test US resolve on targets

By Michio Nakamoto in Tokyo

IN THEIR first few months of dealing with the Clinton administration, Japanese trade officials were busy trying to assess how serious the US was in its calls for measurable targets in opening up Japan's markets.

As they face their US counterparts in their first round of trade talks, which began yesterday in Washington, the Japanese now are able to test first hand the resolve of the Clinton administration in pressing for measurable progress.

With just a few weeks to go before the two nations are committed to agree a framework for bilateral trade negotiations, Japanese officials still cling to the hope that, in the end, their arguments against the dangers of the US's results-oriented trade policy will prevail in the end.

In response against US demands to establish measurable indicators of progress in opening up the country's markets, the Japanese authorities have taken up the banner of

free trade, assuming the moral high ground.

"Given the importance of US-Japan trade and the influence it has on world trade, what we decide to do is important

Japanese officials are still clinging to the hope that their arguments against the dangers of the US's results-oriented trade policy will prevail in the end

enough that it will determine what kind of world trade system we want to leave our children in the 21st century," says a foreign affairs official.

He argues that there is no alternative to the free trade system that has guided the world since the end of the second world war. Any benchmark used to measure economic activity, whether it be the number of foreign subsidiaries that are set up in Japan, or the ratio of imports to gross domestic product, leads to managed trade, he says.

But there is another reason for Japanese sensitivity towards numerical targets.

The US-Japan semiconductor arrangement, which recognised the US expectation that the for-

cannot control economic activity in a free trade system, the Japanese government fears that it could soon find itself faced with demands from other countries or regions, not least the EC, to do the same.

"Reaching the trade surplus is beyond the reach of the government because the surplus is the result of economic activity," the official emphasises.

If the Clinton administration is determined to achieve quick results in reducing Japan's trade surplus, the Japanese authorities are just as firm that it will take considerable time and patience to resolve the situation.

Japanese officials do not expect the current talks in Washington to produce concrete results.

In keeping with Japanese custom it will be more a chance for both sides to get to know each other and confirm each other's position.

They have drawn up a six-point guideline that underlines their refusal to accept numerical measures, in spite of signs that the Clinton administra-

tion is willing to be "flexible" on demands for numerical indicators.

Measures that could lead to managed trade are to be avoided as well as unilateral actions such as those allowed by the Super 301 trade bill.

The guideline also insists that any agreement should be done according to internationally accepted rules and should benefit third countries as well as Japan and the US. Discussion must be limited to matters within the government's reach.

In addition, Japan will insist that the discussions should be a joint exercise, with the US dealing with its problems as well.

One key problem the US has which Japan intends to cite, for example, is its low level of savings.

Although the Japanese insist that no compromise is possible on the issue of measuring results, officials in Tokyo are confident that the US and Japan will eventually be able to take their talks forward.

There are alternative proposals on the Japanese drawing board

being kept as a last resort.

The show of confidence in Tokyo stems in part from a conviction that it has significant international support for its opposition to results-oriented trade policy.

Tokyo is also firm in its belief that the bilateral relationship is too important to be dealt with through quick-fix measures such as fixing targets on market access.

That belief is increasingly coupled with a feeling in Tokyo that the US-Japan relationship has reached a turning point and that Washington is beginning to treat Japan more as an equal.

Confirmation reached Tokyo on Thursday that the US intends to back Japan's permanent membership of the UN Security Council.

"The US-Japan relationship has become a mature political relationship in which it is possible to speak frankly and discuss things frankly and this is a good development which allows for constructive talks," says the foreign ministry official.

## Mondale chosen as Tokyo envoy

By Jurak Martin in Washington

PRESIDENT Bill Clinton yesterday formally proposed that Mr Walter Mondale be the next US ambassador to Tokyo, thus concluding a week in which some of the heat appears to have been taken out of trans-Pacific frictions.

The appointment of the former vice-president and senator from Minnesota, leaked earlier this week, has been warmly received in Japan, according to US media reports from Tokyo.

Mr Mondale has been freely compared with the revered former ambassador, ex-senator Mike Mansfield, as a heavy-weight politician with connections and influence with the President and with Congress.

Mr Clinton said yesterday in

a Rose Garden ceremony also attended by Mr Mansfield that Mr Mondale, vice-president from 1977 to 1981 and the losing Democratic candidate in the 1984 election, was renowned for "building bonds of understanding around the world."

He was, the president said, "extraordinarily well qualified to be given the task of enhancing our relationship with Japan and projecting American leadership in Asia and the Pacific region."

Mr Mondale also struck a note that will be appreciated in Japan, saying that "although we are economic competitors, we share a fundamental interdependence," both in each other's economy and in the growth of the global economy.

## China and UK to hold more talks on HK airport

By Simon Holberton in Hong Kong

THE APPEARANCE of greater Anglo-Chinese co-operation over Hong Kong was bolstered yesterday when the two sides agreed to hold both a second round of talks on the colony's multi-billion dollar airport and a meeting of the Joint Liaison Group (JLG).

The meeting later this month of the JLG, which works out the details of the transfer, will be the first since late last year. It could provide Beijing with a face-saving forum in which to "approve" the construction of Hong Kong's ninth container terminal, CTS.

Since last November, China has blocked development of the container terminal as part of its strategy of non-cooperation on economic matters in retaliation for Governor Chris Patten announcing plans for Hong Kong's political development. However, there have been some signals that China might be prepared to de-link aspects of the colony's economic development from those of its political development.

The outcome of next Friday's meeting of the Airport Committee will be watched closely to see if Beijing is prepared to give its approval to the construction of the Western Harbour Crossing - a submarine tunnel vital for the airport project - and associated land reclamation works.

Also next week, Anglo-Chinese officials meet in Beijing for the fifth round of talks about Hong Kong's

China's paramount leader Deng Xiaoping, who triggered a boom that has led to the world's fastest economic growth rate, has warned against letting the economy spin out of control, a pro-Beijing newspaper said yesterday, Reuters reports from Beijing.

The Communist Party's top policy-making body will meet shortly to tackle the problems caused by the economy charging ahead at rates that surpassed 14 per cent in the first quarter this year, the Hong Kong-based Wen Wei Po said.

Inflation, even by official figures, is more than 17 per cent in key cities.

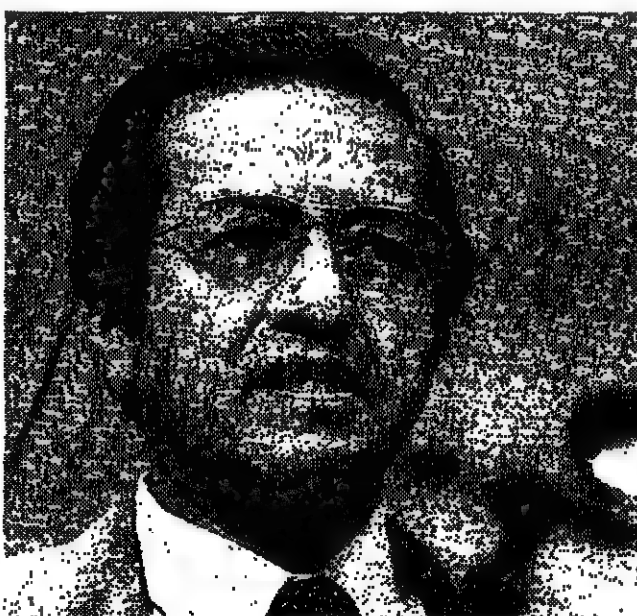
political development.

The British team will try to engage the Chinese in detailed discussions about Hong Kong's 1994-1995 elections, having touched on them only briefly in earlier discussions.

The Chinese have said that they want to use the fifth round to ascertain Britain's "sincerity" in the process.

Beijing has been angered by a committee of the Legislative Council (LegCo), Hong Kong's law making body, discussing Mr Patten's plans for political reform, and by observations of a junior British foreign office minister that LegCo could amend any agreement reached by the two sides.

Observers in Hong Kong have suggested that Beijing's concern with "sincerity" is a convenient device to delay the real business of the negotiations.



## MAHATHIR TO MEET LI PENG

DR Mahathir Mohamad (above), Malaysia's prime minister, leaves on a 10-day visit to China this weekend, along with more than 300 business people and officials, writes Kieran Cooke in Kuala Lumpur.

The delegation, one of the largest ever to go to China, will tour several industrial sites and sign a number of agreements with Chinese corporations. Dr Mahathir is scheduled to meet Mr Li Peng, China's prime minister, early next week. Mr Li has not been seen in public for more than six weeks and there have been reports that he has been seriously ill.

Malaysia's policy towards China has changed considerably recently. Malaysia was once deeply suspicious of what it saw as China's potential

influence over Malaysia's large Chinese community and the two countries are among rival claimants to the Spratly islands in the South China Sea.

Malaysia and China recently agreed to co-operate on the Spratly issue. Malaysia has also called for China's inclusion in any emerging security framework in the south Asia region. "China is currently and has every reason to continue to be a benign power," said Mr Mahamad Najib, Malaysia's defence minister, recently.

While Dr Mahathir has been urging Malaysia's businesspeople to seek business opportunities in China there is some concern in Kuala Lumpur that foreign investors are moving funds away from Malaysia and into China.

## UN set for Somalia strike

Leslie Crawford sees the country sinking into a military quagmire

LIKE THE rains now churning mud and garbage in Mogadishu's filthy streets, the United Nations' humanitarian intervention in Somalia is rapidly sinking into a military quagmire.

The killing of 23 Pakistani Blue Helmets last Saturday has brought UN forces to the brink of war with Somalia's most defiant clan leader, Gen Mohamed Farah Aided. An air strike against his strongholds in the south of the capital is thought to be imminent now that the evacuation of almost 500 UN civilian staff and international aid workers to Nairobi has been completed.

In a further sign of imminent retaliation, the United Nations Operation in Somalia (Unosom) decided to close Mogadishu airport to all civilian flights from midnight last night.

Only Unosom flights and military aircraft will be permitted to land until further notice. In Washington, the Pentagon said it was sending 2,200 US marines to Somalia. They are expected to arrive within the next five years.

The handful of aid workers who remain have retreated into heavily fortified compounds. UN troops are combating the suburbs for weapons and have reboiled security at key installations. Military reinforcements, including US AC 130 Spectre precision bombers, are said to be within striking distance of Mogadishu.

In a final attempt to avert another bloodbath, the UN delivered a letter to Gen Aided demanding he hand over those responsible for Saturday's slaughter - the deadliest single strike against its peacekeepers in over 30 years.

The letter is also believed to have included an ultimatum to the warlord: disarm your militias, hand over your weapons and close down your radio station, or face the consequences.

But Thursday night's broadcast on Gen Aided's "Voice of the Somali Masses" clandestine radio station continued to pour vitriol over the UN's presence in Somalia. It called on UN troops to leave the country and warned that the next message would be "written in blood."

At a press conference yesterday, the original ideals that inspired the UN's unprecedented humanitarian mission in Somalia appear to lie in the rubble of the war-torn capital.

"The relief work is dead," says Jamie McGoldrick, one of only three Save the Children Fund foreign staff to remain in Mogadishu. "This has become a purely military operation."

Although Mr McGoldrick is still managing to deliver a few emergency medical supplies to hospitals, the 35 feeding centres in the Somali capital are

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a country it has adopted as a de facto protectorate.

In private, UN officials say they cannot afford to let the terrorist actions of a gun-toting warlord go unpunished. But retaliation could trigger a wave of sympathy for Gen Aided and unite rival warlords against UN troops. The 18,300-peacekeeping force would come to be regarded as an occupying foreign army. Already, Somalis regard the UN intervention as humiliating evidence of their inability to manage their own affairs.

"The UN wants to destroy and humiliate Aided in front of his people," says McGoldrick. He fears the multinational force underestimates the size of Gen Aided's constituency - thousands of young men who, by his patronage, can carve out an easy existence from looting, extortion and banditry. They have a vested interest in anarchy.

On the streets of the Somali capital this week, there was much brave talk of rallying to Gen Aided's defence. There is no shortage of guns. Mogadishu was awash with unforgotten remnants of UN cruelty against the local residents - 40 hostages held, three Somalis killed, arbitrary arrests. Hostility towards the peacekeepers was palpable.

Others were cutting their losses. War refugees who had sought a safe haven in Mogadishu were leaving the capital in droves. One entrepreneur, who supplied electricity from looted generators to much of south Mogadishu, shut down his business this week and packed his bags. A sign outside his shop said: "No More War."

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## NEWS: UK

Receivers complete most crucial phase in complex rescue of collapsed European vehicle group

## Management buy-out saves Leyland Daf

By Kevin Done and Ian Hamilton Fozzy

A MANAGEMENT buy-out team reached agreement yesterday to take over the Leyland Daf truck assembly plant in Leyland, Lancashire from the administrative receivers.

The MBO is one of the most significant steps in the rescue of the former Daf group in the UK, the Netherlands and Belgium, which collapsed into receivership at the beginning of February.

The deal announced on the shop floor was greeted with an emotional two-minute ovation by the workforce of 700.

In a parallel move Daf Trucks of the Netherlands, which was created in March to take over the core medium and heavy truck operations of the old Daf group in the Netherlands and Belgium, reached agreement with the UK receivers to acquire Leyland Daf Trucks Ltd, the former UK marketing and sales arm in Thame, Oxfordshire.

The Dutch group will control the UK Leyland Daf dealer network and will market and sell the 45 series light trucks and other heavier models made in Leyland through this network in Britain along with its own heavy trucks. It will also sell the UK-built light trucks through its existing dealer network in continental Europe.

The two deals secure the 700 jobs at the Leyland assembly plant and 150 at Thame. As part of the MBO deal the entire 230-acre site in Leyland has been acquired from the receivers by Lancashire Enterprises, the development arm of Lancashire Country Council, for development as a business and technology park.

The new MBO company, Ley-

land Trucks Manufacturing, will lease the site of the assembly plant.

The buy-out, led by Mr John Gilchrist, Leyland Daf's managing director, has been backed by £5m of equity funding from Barclays Development Capital. Working capital finance has been provided by National Westminster Bank.

Mr Gilchrist yesterday forecast a turnover of £140m and an output of about 10,000 trucks in the first 12 months of operation.

When Daf collapsed in February the group had about 12,000 jobs in the UK, the Netherlands and Belgium. If the remaining parts of the group are rescued as planned, the workforce will have been virtually halved with around 2,845 jobs remaining in the UK.

The truck plant management buy-out has put in place the most crucial piece of the jigsaw in the complex rescue of the failed Daf commercial vehicles operations in the UK.

It may appear to potential truck and van buyers as if business is being resumed as normal with the same products, the same brand names, and virtually the same dealers. Behind the scenes, however, the former group has been broken into independent units, separately owned and financed, but still linked through arm's-length supply agreements and buyer-seller deals.

According to Mr Murdoch McKillop, of accountants Arthur Andersen, one of the joint administrative receivers, the rescue of the UK business has been the biggest and most complex manufacturing receivership in the UK since the col-

lapse of Rolls-Royce in the early 1970s. Leyland Daf had an annual turnover of £350m. He said: "At one time we thought it might be too complicated to hold it all together."

The Daf group collapsed with total debts of more than £1.3bn (£1.1bn) and after running up total net losses in the previous three years of £180m.

Before the collapse the workforce in the UK and the Netherlands had already been cut to 12,288 in 1992 from 16,782 in 1989. By the time the rescues are completed it will be halved again to around 6,000. Including yesterday's crucial agreements separate rescues

have now been completed for:

- The Dutch and Belgian medium and heavy duty truck operations in Eindhoven and Westerlo.
- The Birmingham-based van operations.
- The truck assembly plant in Leyland, Lancashire.
- The truck marketing and sales operation in Thame, Oxfordshire.

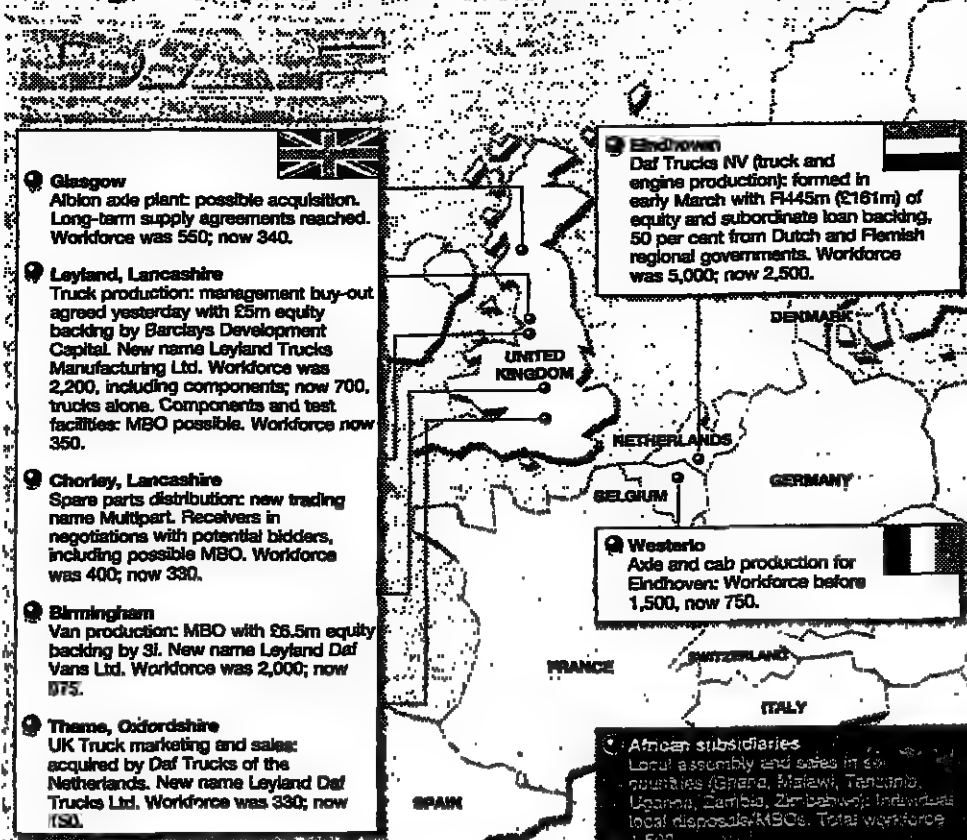
Still to be finalised are the rescues of the Albion axle plant in Glasgow, the spare

parts distribution business in Chorley, Lancashire - now trading under the name Multi-part - the Leyland components and test facilities, and the disposal of the assembly and sales operations in Africa.

The core medium and heavy-duty truck operations in the Netherlands and Belgium were the first parts of the collapsed Daf group to be rescued at the beginning of March.

A new company, Daf Trucks

The big break-up: Workforce in UK, the Netherlands and Belgium before, 12,000; now, 5,100



NV, was formed with the backing of fresh equity and subordinated loans totalling around £1.45m. About half of that figure was provided by the Dutch government and the Flemish regional government, with the remainder coming from a group of Dutch and Belgian banks, institutions and, to a limited extent, from suppliers, dealers and importers.

Daf Trucks expects to produce about 10,000 medium and heavy duty trucks in 1993 and is forecasting an annual turnover in a full year of £1.2bn.

The receivers' first success was at the end of April with the MBO of the Leyland Daf van operations in Birmingham. The formation of the new company, Leyland Daf Vans, was supported by around £5.5m of equity finance from 31. The other main elements included working capital and a medium-term bank loan of

relieved of old debt burdens, and the heavy costs of restructuring and rationalisation have disappeared through the receivership. The truck plant workforce has agreed to a pay freeze until the end of 1994 and to a package of far-reaching reforms in working practices in support of the rescue deal.

Mr John Gilchrist, leader of the successful Leyland truck plant MBO team, claimed the Leyland plant had a lower cost per vehicle than any of its rivals.

The Leyland plant is pinning its hopes for survival on being "a dedicated contract manufacturer of commercial vehicles. It is aiming to manufacture its own designed vehicles and it will seek also to

assemble other makes under contract. Much may depend on whether it can win repeat business from the Ministry of Defence for military vehicles to help to even out the wild fluctuations in demand in civilian markets.

Military work has been an important factor in helping it through the receivership. Now it has only 300 of a 1,500 order for heavy ammunition carrying trucks left to complete by spring next year along with 2,000 of a 5,500 order for general service British Army trucks to be completed by spring 1995.

The remnants of the Daf group may have a future, but it is far from a secure one.

## Judgment reserved in Clowes appeal

THREE APPEAL Court judges yesterday reserved judgment on the appeal by Mr Peter Clowes, the jailed financier, against his conviction on 10 charges of theft, John Mason writes.

Mr Clowes, who is in Wandsworth prison serving a 10-year jail sentence, appealed against the theft charges, but not the eight counts of fraud of which he was also convicted at the end of his trial last February.

He claimed that Barlow Clowes International had authority from investors to invest their money as it thought fit, and was more like a banking operation than a trust fund company.

Mr Peter Naylor, who has served an 18-month sentence for theft, also appealed against his conviction.

No date was set for the court to announce its decision.

## Betws miners support MBO

MINERS AT the Betws coal mine in south Wales have voted to abandon their bid to run the pit. They now support a management buy-out team of four pit executives.

Betws, in Dyfed, is one of 20 pits that British Coal is inviting the private sector to operate, having decided that they have no long-term future under its ownership.

Mr Martin Cook, the Betws deputy manager heading the bid, will outline the buy-out proposal to Mr Tim Eggar, the energy minister, at a private meeting in London next week.

Mr Cook said: "The beauty of our scheme is that the colliery will remain in local hands, worked by local people. We are not in it to make a quick profit and then pull out as we suspect other independent might favour."

Mr Cook's team plans to extend the Betws colliery's life for up to 10 years, mining unfractured coal for which there is a strong demand. Last year more than 800,000 tonnes were imported.

Mr Cook said the buy-out's adviser, Coopers & Lybrand, had already had strong interest in the plan from City bankers. Betws is one of five pits that were put out for tender on Thursday, the others being Rosington, Markham Main, Severcotter and Clifton.

## Change on audit fees planned

THE DEPARTMENT of Trade and Industry is proposing to amend the legislation governing disclosure of fees generated by auditors in companies' annual accounts.

Mr Neil Hamilton, minister for corporate affairs, said he wanted to remove the requirement for disclosure of associates of auditors where the auditors' only relationship to the associates is as insolvency practitioners.

But this includes many companies which are classified as associates only because an insolvency partner in a firm of auditors has been appointed to it and has control of at least 20 per cent of the voting rights.

The existing regulations came into force in October 1991 following consultation designed to deal with potential conflicts of interest.

Comments on the DTI consultative paper are invited by July 30.

## Future is far from secure for born-again truckmakers

By Kevin Done, Motor Industry Correspondent

AS RECEIVERS and management buy-out teams celebrate the rescue of the former Leyland Daf truck and van operations, serious obstacles remain to the long-term viability of the ventures.

• The new companies are being launched into a business environment that remains hostile.

• During the long weeks of receivership rivals have been trying to bite heavily into Daf's market share and to undermine its dealer networks.

• The van and truck operations will not control the lucrative spare parts business, and will derive only royalty income from parts.

• The new ventures will need to generate substantial funds to finance new product development.

The deep recession that brought the Daf group to its knees may be starting to lift in the UK, but conditions are deteriorating rapidly in continental Europe, where Leyland Daf must sell a significant part of its light truck output.

In the UK new commercial vehicle registrations in the first five months of this year were still 4.5 per cent below those for the corresponding period last year and 80.6 per cent below the 1989 peak.

The medium and heavy van market, in which Leyland Daf Vans is competing, is where demand is weakest.

The truck market is showing some signs of life, but from a very low base.

UK truck sales (above 3.5 tonnes gross vehicle weight) last year were 55 per cent below the peak sales of 69,234 achieved in 1989. Overall West European truck sales fell by 25 per cent in the first quarter this year.

The heavy cost of developing new products helped bring down the old Daf group and it could well prove eventually to be the Achilles heel of the new ventures. Pulled together out of the wreckage of the old Daf group, they will probably still need to find strategic partners to survive in the long term.

Leyland Daf Vans in Birmingham has lost access to Daf's continental

dealer network, and so has had to base its hopes for survival on the UK market alone.

It is concentrating efforts chiefly on sales of basic, low-cost utility panel vans to large fleet customers such as the Post Office.

It has also been forced to drop out of a project to develop a new generation van in a joint venture with Renault, the huge cost of which helped bring about Daf's collapse.

The MBO will be forced to rely instead on further development of the present vans, which were originally launched 20 years ago as the Sherpa van by the then British Leyland.

But the new ventures do have some advantages. They have been

relieved of old debt burdens, and the heavy costs of restructuring and rationalisation have disappeared through the receivership. The truck plant workforce has agreed to a pay freeze until the end of 1994 and to a package of far-reaching reforms in working practices in support of the rescue deal.

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The remnants of the Daf group may have a future, but it is far from a secure one.

## Building revival remains elusive

By Andrew Taylor, Construction Correspondent

THE REVIVAL in house-building shows little sign of spreading to other areas of construction, many of which remain stuck in recession, to figures published yesterday by the environment department show.

Mr Joe Dwyer, chief executive of Wimpey, one of the country's biggest construction companies, warned this week that a recovery in general contracting was unlikely to occur before 1995 at the earliest. He said competition for UK work was intense so that margins were very low.

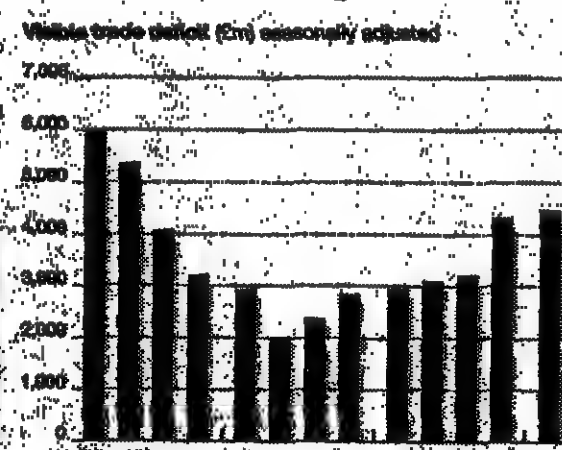
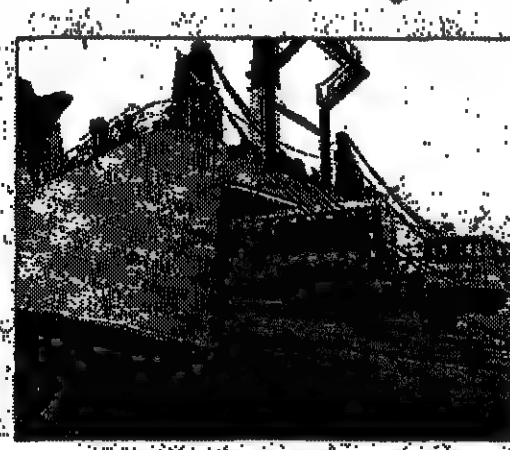
Wimpey's house sales, by comparison, were 55 per cent higher in the first five months of this year compared with the corresponding period last year.

Sir Brian Hill, president of the Building Employers Confederation, said yesterday that the industry remained in a serious recession "with output set to fall by a further 3 per cent this year and the construction jobsless total heading for half a million since summer 1989".

The environment department said total construction work in Great Britain was 5 per cent lower in the first three months of this year than a year before.

Private-sector commercial work, mainly offices and shops, was worst affected, with output down 25 per cent. A glimmer of hope from the department's figures was provided by a 5 per cent rise in private industrial work. Contractors say, however, that manufacturers and service industries will not invest in new buildings until they are confident that economic recovery can be sustained.

## More heavily in the red: the first full trade figures since January



	Vehicle of trade (€m) seasonally adjusted			Shipping of and from UK		
	Exports	Imports	Balance	Exports	Imports	Balance
1988	80,346	107,825	-27,480	58,715	68,980	-10,265
1989	82,154	116,537	-34,383	78,541	105,528	-26,987
1990	101,778	120,527	-18,749	57,087	108,224	-51,137
1991	103,413	113,705	-10,290	59,003	102,580	-43,577
1992	106,775	180,546	-73,771	53,516	100,951	-47,435
1992 Q1	28,066	26,055	+2,011	22,803	20,450	+2,353
Q2	28,642	29,772	-1,130	23,177	27,013	-3,836
Q3	28,431	29,719	-1,288	23,086	27,157	-4,071
Q4	27,647	32,001	-4,354	24,440	28,331	-3,891
1992 Q1	28,600	34,700	-6,100	25,700	31,900	-6,200

The Central Statistical Office warned yesterday that the first-quarter trade figures were more than usually liable to revision as a new system for measuring EC trade flows settled down, Emma Tucker writes.

The figures showed little change in the UK's trade deficit with the European Community.

Following the opening of the single market at the end of last year, customs declarations - the old source of

trade statistics - are no longer required for movements of goods within the community.

Intrastat, a system for measuring intra-EC trade statistics, has therefore been introduced. It takes its

information from a combination of surveys and VAT returns.

The CSO said Customs had received returns from traders representing about 86 per cent of the value of exports and 78 per cent of imports in

the first quarter. "As a result, estimates for the first quarter are less reliable, are subject to greater revision than usual and have been shown rounded to the nearest £100m," it said.

## Sugar's QC denies that Venables had deal

By John Mason, Law Courts Correspondent

MR ALAN SUGAR, chairman of Tottenham Hotspur football club, denied reaching any agreement with Mr Terry Venables, the club's chief executive, that he would never use his larger shareholding to vote against him, the High Court said yesterday.

On the second day of the hearing over whether the

injunction preventing Mr Venables' sacking should be lifted, Mr Philip Heslop, QC for Mr Sugar, said the attempted ban had been property handed down. Even if there had been such an agreement between the two men, as Mr Venables had claimed, there was nothing to stop the board getting rid of him if it wished, Mr Heslop said.

"It is not right or arguable that this company has the bur-

den of having to employ Mr Venables as chief executive indefinitely," he said. Earlier Mr Martin Mann QC repeated Mr Venables' claim that when the two men took control of the club in June 1991 they had agreed not to vote against each other.

However, after the club's re-financing rights issue in November 1991, in which Mr Sugar increased his holding, the chairman refused to

sign a written agreement that this arrangement would continue.

Mr Venables said in an affidavit that he had been "naïve" to agree to the rights issue going ahead - and any trust he had in Mr Sugar - evaporated afterwards. Mr Heslop said the evidence of the majority of the board was that they no longer had any confidence in Mr Venables' ability to discharge his function.

The decision to remove Mr Venables was not just Mr Sugar's but that of the Spurs board. "The company appointed him and the company dismissed him," he said. Mr Venables himself had no right, except in very special circumstances, to reverse the board's decision. There had been no attempt to exclude him from being involved in the affairs of the company as a director, Mr Heslop said.

## BBC faces up to three days of scrutiny

By Raymond Snoddy

THE BBC board of governors will spend three days next week assessing the performance of every aspect of the Corporation.

It is the first of an annual series of performance reviews to be carried out by the BBC and included in a new-style annual report to be published on July 28.

In January when Mr John

Birt, the BBC director-general, outlined his policies for the organisation he said that "the annual performance review will be the flywheel that drives the BBC and keeps us alert and self-questioning about everything we do."

At the three-day session being held at a unnamed hotel "in the Home Counties", Mr Birt will present a formal assessment of the BBC's programme output, efficiency,

effectiveness and the accountability.

The governors will in turn make their overall assessment of what they have heard.

The programme targets will not deal in crude audience size but will be measured against how a particular type of programme should have been expected to perform.

The BBC has been lagging behind commercial television in the ratings - often taking

only between 40 and 42 per cent of total viewing.

Some recent popular BBC dramas, such as *A Year in Provence*, have not only been critical failures but also attracted low audiences.

In reviewing the efficiency of the corporation, the governors will be able to look at the serious potential overspend of the past two years and whether all dangers of a recurrence have now been eliminated.

The BBC is declining to say where this year's conference is being held in the hope of avoiding the arrival of a large number of journalists at the chosen venue.

Last year's conference at Lushington Park, near Bath, led to journalists assessing the quality of the wine and the food being enjoyed by the BBC governors and top management - at the expense of the licence payer.

## Make lottery a charity, says peer

By Raymond Snoddy

A FINAL attempt will be made in the House of Lords next week to try to transform the government's planned National Lottery into a charitable foundation.

Lord Birkett is a director of Lottery Promotion Company, a non-profit making body which has been campaigning for charitable status for the lottery.

The company believes charitable status would not only increase the money going to good causes such as sport and the arts but would help to prevent political interference in the allocation of the money. It would also reduce the danger of lottery funds being substituted for existing Exchequer spending.

Mr Denis Vaughan, execu-

tive director of the company, said yesterday it was obvious that a national lottery should be at arm's length from government.

"Every other country has had difficulty with this. We must learn from them," Mr Vaughan said.

The company believes it has all-party support for the amendments in the Lords and that government plans would "hand an unnecessary amount of profit to the private sector".

The amendment was carried after sport and heritage could each hope to receive £285m a year from a £3bn lottery turnover.

The government hopes that the lottery - which could be the world's biggest - will be launched next year.

It is intended to raise money for the arts, heritage, sports, charities and a new fund to celebrate the year 2000. Independent estimates suggest the lottery could generate sales of more than £4bn a year.



Judgment reserved in Clowe appeal

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Clowe says peer

Clowe says peer



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## NEWS: UK

£5m will be available for equity stakes in companies

## Tec launches fund for venture capital

By Chris Tighe

THE Northumberland Training and Enterprise Council yesterday became the first Tec to set up its own venture capital fund, allowing it to make equity investments in companies in its area.

The £5m Oak Fund is part of a package of services launched by the Tec yesterday to stimulate enterprise in Northumberland.

The package includes a £300,000 loan fund, the Rowan Fund, jointly financed by the Tec and Midland Bank, offering unsecured loans of up to £20,000 with interest pegged at half base rate for new businesses and base rate for existing companies.

Northumberland Tec chief executive Mr Stephen Cowell said he believed the enterprise and training remit of Tec,

the 82 employer-led bodies which deliver government training schemes in England and Wales, were of equal value and went hand in hand.

Tec, he told an audience of Northumberland business leaders, are not "eggheads" through which government grants pass, but enterprising bodies which should recognise the need to take risks.

The venture capital fund, he said after the launch, did not duplicate resources available from the private sector but was a response to complaints from Northumberland companies about the difficulty of securing equity finance below £250,000.

Mr Cowell said: "The enterprise strategy was set up to create a whole series of products outside our contract with the government. We're seeking to put our resources together with existing providers so that

they might be willing to take risks they wouldn't otherwise have done."

Outside consultants will guide the Oak Fund's investment decisions. It aims to take a stake, typically of about £100,000, in viable businesses for five to seven years.

Other elements of the Tec package are the Cedar Fund, a £300,000 fund jointly financed by British Coal Enterprise, offering loans of up to £50,000 at 9 per cent fixed interest, and a Training Investment Fund, through which the Tec will offer companies interest-free loans of up to £20,000 for high-quality training.

Northumberland Tec is already involved in a £10m scheme to convert Longhurst, a country mansion, into a conference centre and a campus for the University of Northumbria.



Mass event: heavy horses being prepared for their part in the South of England Show at Ardingly, West Sussex, which ends today

## Smith backs bid to restart Irish talks

By Tim Cooney in Dublin

MR JOHN SMITH, the Labour leader, said in Dublin yesterday he fully supported efforts by the UK and Irish governments to restart round-table talks on Northern Ireland.

He said the 1985 Anglo-Irish agreement and reunification of Ireland by consent remained the central pillars of his party's policy on the province.

Mr Smith is on a two-day visit to the republic, accompanied by Mr Kevin McNamara, Labour spokesman on Northern Ireland.

Mr Smith said that any renewed political talks in the north "should be on the basis of the three strands of the previous talks, and on the principle that nothing should be agreed until all is agreed".

He rejected a suggestion made in the Commons this week by Sir Edward Heath, a former Conservative prime minister, that the talks should be held without the participation of the hard-line Democratic Unionist Party (DUP), led by the Rev Ian Paisley. He is now viewed as the main obstacle to the talks' resumption because of his insistence that the republic must drop its territorial claim to the province.

Mr Smith said: "The DUP won 17 per cent of the vote in the recent local elections and that has to be accepted as a reality."

He said Sinn Féin, the political wing of the IRA, could also be accepted into the talks process, "but they must first renounce violence". Labour "would not want to have any talks with Sinn Féin".

But Mr Smith respected the recent moves by Mr John Hume, the leader of the nationalist Social Democratic and Labour Party in Northern Ireland, to hold a series of discussions with Mr Gerry Adams, the Sinn Féin leader, to find a way of bringing an end to the IRA violence.

Mr Smith said this "took a great deal of personal courage and bravery".

## School ski trips put Abta on a slippery slope

Failed travel companies are causing severe financial problems, says Michael Skapinker

LAST FEBRUARY Mr Larry Cahn, head of careers at Alderbrook School in Solihull, West Midlands, got a call to tell him the ski company to which he had paid £18,000 of parents' money had collapsed.

With 48 pupils due to leave for Austria in two weeks the news came as a shock, particularly as he had happily dealt with the company, Travels by Design, in the past. The caller, from another ski company called ESL Holidays, told Mr Cahn not to worry. ESL would ensure the trip went ahead. It did, without the school having to pay any additional money. Last month ESL collapsed.

The Association of British Travel Agents says school ski trip failures threaten its future. Claims on Abta's shortfall insurance have been so high that the association has to pay £1 of premium for each £1 of cover. Premium contributions from members are expected

to be seven or eight times as high as last year.

Like Mr Cahn, most teachers and parents emerge from ski company failures unscathed. Provided the company is one of its members Abta picks up the tab, ensuring trips go ahead.

What worries Abta is the ease with which the customer lists of failed companies are sold to other operators. Schools are usually asked to assign their bookings to the acquiring operators, which claim the failed companies' refunds directly from Abta.

Schools are happy that their trips are going ahead. The acquiring operators use the Abta money to pay other creditors, such as hotels and coach companies. The loser are Abta, its remaining member companies, and ultimately - through the weakening of the association - the travelling public.

Last April Abta wrote to schools and education authorities saying open-ended compensation could not continue. Deposits would be refunded only if paid less than a year in advance and only up to £25 per person. Other payments would not be returned if paid more than 10 weeks before departure. Ski operators reacted furiously, saying the letters would damage their business. This week six operators obtained an injunction suspending Abta's threat.

Undercapitalised companies have long been attracted to the travel industry - encouraged by the low barriers of entry into the market and by the ease with which business can expand. The ski tour market, where schools are prepared to pay deposits a year or more in advance, has been particularly enticing.

Mr John Shepherd, managing director of Equity, one of the ski companies that took Abta to court, said: "Expansion in the travel business is quite simple. All you do is contract for more beds. You don't have to buy any new plant and tool up for the next 15 years."

Mr Cahn says his school gets brochures every year from up to 40 operators. He constantly gets telephone calls from ski companies wanting to make appointments to visit the school.

In an affidavit to the court hearing Abta said school trip operators "are particularly open to exploitation by the more opportunistic and even fraudulent members of the industry".

There have been instances of the company that acquires a client list having close links with the failed organisation,

although that does not appear to have been the case with Travels by Design and ESL. Abta has expressed concern about acquiring companies' practice of employing executives of failed groups as consultants.

The association has not yet decided whether to appeal against the injunction, or whether to fight its case when a full hearing takes place at the end of the year. Mr John Dunscombe, Abta's chief executive, conceded that the association would have to examine other ways of protecting its finances.

But he insisted that the threat to the association should not be underestimated. Abta tour operators have to arrange bonds, usually equivalent to between 10 per cent and 15 per cent of turnover. If the bonds prove insufficient to

compensate customers the association draws on its shortfall insurance.

In the year to the end of last month five school tour operator failures resulted in claims of £4.2m, of which the companies' bonds covered only £1.8m. The remaining £2.4m had to be met from the shortfall insurance, representing 86 per cent of claims on the fund.

Mr Dunscombe said: "The insurers, to some extent understandably, have said that this is not insurance. Insurance is meant to cover unlikely events."

Abta will have to pay £3m in premiums this year to get £3m of shortfall insurance.

Abta has been driven to the point of financial collapse before. In 1991 ski company failures exhausted its shortfall insurance. The association had to impose an emergency levy

on its tour operator members to ensure its survival.

Mr Dunscombe doubted that Abta members would agree to pay another emergency levy if the shortfall insurance was exhausted again. The association is divided about its future, with the larger companies threatening to leave unless the cost of running Abta is cut. The imposition of a levy could lead to the large groups deciding that association membership is no longer worth the trouble.

Abta will have to find other ways of reducing school operator failures.

Mr Andrew Lay, commercial director of Skibound, the market leader, said Abta should rely on large operators to warn it of companies in trouble. "There are a number of cases we've highlighted to Abta where we think there's a 25 margin on a holiday and this company is charging £20 less for it."

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# Company 'equipped Iraq testing complex'

By Jimmy Burns

A GOVERNMENT-owned defence company equipped an Iraqi complex which could have been used for testing missiles, including Exocets, after ministers justified the contract, the Scott arms-for-Iraq inquiry heard yesterday.

Previously classified Whitehall documents read out by the inquiry's counsel Miss Priscilla Baxendale QC show that ministers approved the contract involving International Military Services after ignoring warnings from Foreign Office officials that the complex had a potentially lethal military use.

The final go-ahead for the project was given after Mr Norman Lamont, towards the end of his period as minister for defence procurement, had

The following is an extract from a letter marked "confidential", written by Mr Norman Lamont while he was minister of state for defence procurement, to Timothy Renton, minister of state at the Foreign Office, on February 23 1986.

insisted that the contract did not significantly enhance Iraq's military capability. It was also argued at ministerial level that the contract was not subject to the guidelines as it had been signed before they were introduced.

The documents also show that ministers decided that the completion of the IMS contract in 1986 should be kept secret so as to avoid a potential political outcry.

"... We need to be able to answer any criticism that the participation of this wholly-owned government organisation is improving the Iraqi capability to attack shipping in the Gulf ...

"The remaining IMS responsibilities in this contract are

The existence of the IMS project first surfaced in a report published by the Financial Times in July 1991. Both the MoD and IMS refused to comment at the time.

Further details of the project emerged yesterday during oral evidence given to the Scott inquiry by Mr Alan Collins, a senior Foreign Office official who was chairman of the inter-departmental government committee in charge of vetting sen-

supervisory and relate to the construction of the building and the installation of the safety and general monitoring equipment which has already been delivered ... all this equipment is directed exclusively to the physical safety of those who conduct the

inter-departmental controversy after Mr Collins and Mr Richard Luce, then minister of state at the Foreign Office, had argued with defence officials that it ran contrary to the guidelines restricting defence

exports to Iraq announced to parliament in October 1985.

In a minute dated August 30 1985, apparently based on intelligence information, Mr Collins wrote: "We need to keep a close eye on this project ... It

tests and the weapons ...

The discreet test equipment for the weapons will be supplied and installed (after IMS has left the site) by French contractors ...

"These contractors are already engaged in the testing of the missiles ... Therefore

the nature of the IMS work involved and the fact that the missiles are already being monitored and tested in temporary facilities convincingly demonstrates that the IMS work cannot be interpreted as a real enhancement of Iraqi war effort ..."

could be used to support Exocet missiles."

Asked by Lord Justice Scott whether he thought it was unsuitable for a government-owned company to be involved in such a project, Mr Collins replied: "We felt it should be debated and we wanted to be assured at the highest level that it fell within the guidelines."

Under the guidelines announced to parliament by

the then foreign secretary Sir Geoffrey Howe, no defence equipment should be exported to Iraq or Iran that would significantly "enhance the capability of either side to prolong or exacerbate" the conflict between the two countries.

A high-level source close to the Scott inquiry said after yesterday's hearing that evidence given during the periodic oral hearings so far, were only the "tip of the iceberg" of what is being gathered from a mass of previously classified documentation and written evidence.

The publication of the report may not be ready before the end of the year.

The oral hearings continue next Tuesday with evidence by Sir Stephen Egerton, the former British ambassador to Saudi Arabia.

## Move to reopen talks on Pool Re

INSURERS moved yesterday to reopen negotiations with the government over Pool Re, the government-backed reinsurance company which covers business against losses from terrorist attack, Richard Lapper writes.

On Wednesday Mr Ian Rushon, outgoing chairman of the Association of British Insurers, said member companies were reviewing their participation of the scheme, set up earlier this year after terrorism was withdrawn from commercial insurance policies.

Mr Alan Bridgewater, who takes over as chairman of the Association of British Insurers next month, said he was concerned "to engage in a constructive discussion with the DTI to review the whole scheme as quickly as possible".

Mr Bridgewater, however, said he "felt strongly concerned" about the lack of consultation by the DTI on the issue.

The row between insurers and the government follows protests earlier this week from the Confederation of British Industry and other business organisations about planned increases in premium rates at Pool Re.

Rates for some of the largest buildings in most exposed areas such as central London will rise more than 300 per cent next month. Businesses in less vulnerable parts of the country will benefit from rate reductions, however.

## Nalco signs deal with agency

NALGO, the public service union, yesterday signed an agreement with Reed Care, a large employment agency, which will encourage union membership among temporary social workers.

Under the one-year agreement Reed Care will urge its temporary workers to join Nalco and the union will recommend the agency to local authorities.

The deal appears to check the trend in the public sector of non-union temporary workers. Nalco said it "provided a structured approach to the use of temporary workers who in the past have been a source of considerable irritation to our members".

Reed Care has pledged not to supply temporary care staff as replacements for workers involved in a strike. It will also advise its temporary workers not to cross official picket lines.

## Government plan creates 200 homes

MORE THAN 200 homes have been created by turning vacant property above shops into comfortable flats, housing minister Sir George Young said yesterday. He said that of the 250 allocated to the Flats over Shops scheme in its first year of operation (1992/93) the indications are that almost all of it, 247, had been spent.

Sir George, visiting a scheme in Brixham, Devon, said: "Bringing flats over shops back into residential use not only contributes to the growth of available housing for rent, it also brings life back into our town centres, improves shop front security, and turns a drain on a landlord's resources into an assured income."

"This scheme has encouraged shop owners to recognise the potential financial gains which can be realised by bringing into use accommodation over retail premises."

## Leaked papers propose £5bn social security cuts

By Alison Smith

THE GOVERNMENT plans social security savings of about £5bn a year by the end of the century in order to stabilise its proportion of public spending, Labour said yesterday.

A second batch of documents, said to be from within the Department of Social Security, came to light a day after the Tories faced a damaging row provoked by the leaking of plans to cut substantially the cost of invalidity benefit. The proposals were to tax it, make it less generous and focus it more on the long-term sick.

While ministers dismissed Labour's attack as further scare-mongering, Tory backbenchers still appear uneasy about the prospect of further months of speculation and reports about public spending cuts in the approach to the

unified Budget in November. The papers released by Labour spokesmen set out some broader points about the future of contributory benefits and also implied other benefits would have to be cut.

Mr Gordon Brown, shadow chancellor, said that the £5bn a year saving by the end of the century envisaged in the papers was almost four times the £1.3bn saving from changes to invalidity benefit alone.

But Mr Peter Lilley, the social security secretary, denied that the long-term review of his department's £20bn spending was Treasury-led.

Instead, it was intended he said "to make sure vulnerable people are protected, and to make sure the whole system is sustainable and does not outstrip the growth of the

national's ability to pay for it", he said.

He insisted that there was no question of taking money away from people who were genuinely sick and in need, but said that there was a need to look at why the number of people claiming invalidity benefit had been rising so quickly and why people had been remaining on the benefit for longer.

Mr Donald Dewar, the shadow social security secretary, highlighted the paper's admission that introducing means-testing for invalidity benefit would be such a fundamental change that it could lead to assumptions that a similar approach would be extended to other contributory benefits.

The move would undermine the principles of the welfare state, he said.



John Major salutes the applause at the end of his speech at the Conservative party Welsh conference at Llangollen yesterday

## Major warns of tough spending curbs

By Philip Atkins

MR JOHN MAJOR urged Tories yesterday to face up to the prospect of tough public spending curbs and said the Conservatives' priority should be to listen to "the heartbeat of Britain".

The prime minister told the Welsh Conservative conference that all public spending had to be reviewed because "we are not prepared to see an ever-increasing tax burden" or to "mortgage our children's

future" through massive public borrowing. But he said many proposals for saving money may be discarded once examined.

He said Tories had to go "into the living-room of the three-bed semi-detached house" to "understand what it is that people actually want."

"It is the answers to these questions which determine where the heartbeat of Britain lies."

Firstly people wanted jobs, "to provide for their families

and themselves." People wanted medical care and financial support in their old age. He said he also wanted to encourage home ownership.

He implicitly admitted to a failure of leadership - but not just by him, saying: "It is when those fundamental securities seem uprooted that most people feel most threatened. And that, right the way across Europe from one end to the other, that's what has happened in recent years."

He spent much of his off-the-

cuff speech defending Mr John Patten, the education secretary. He said too many children were failing at school on basic skills. What can they do? "They cannot all be prime minister."

But the first priority of his speech was to convince Tory supporters that the government had a sense of direction. His self-deprecating jokes, and unassuming delivery went down well with delegates at the Tory conference in rain-drenched Llangollen.

## Names to fight EGM restrictions

By Richard Lapper

CAMPAIGNERS acting on behalf of Lloyd's general meeting to liquidate Lloyd's was made more difficult this week when Lloyd's raised the minimum number of Names' signatures needed for an extraordinary general meeting from 100 to 1,000.

Meanwhile, in a separate development, it has emerged that managers of a number of syndicates at Lloyd's insurance market are taking issue with proposals in the Lloyd's business plan to limit the commission income paid by Names to their managing agencies.

The plan, published by Lloyd's in April, ordered an immediate cut in managing agency fees to a maximum of

0.5 per cent of capacity (the amount of premium income syndicates are allowed to underwrite) in 1994 and 0.4 per cent of capacity in 1995.

The business plan also said that managing agencies would not be allowed to distribute any profits earned on fees, but would be obliged to retain them within the agency.

Chairman Underwriting Agency, which manages marine syndicate 488, and the managers of several other syndicates which have charged higher fees, have "given notice" to members' agencies that they are reviewing their fee structure.

It is understood that some of

the managing agencies are unhappy about the new rules and may even leave the market unless changes are made.

Some agencies face a drop in income of as much as 70 per cent because of the change. One agent protested that the business plan was too prescriptive and that there had been insufficient consultation with businesses at Lloyd's.

Members' agencies yesterday played down the importance of the moves. "We regard it as purely precautionary," said the chairman of one of the largest Lloyd's members' agencies.

"We believe these syndicates will continue underwriting next year."

## Ministers weigh up the benefit of making cuts

WHILE public spending has increased by half in the past five years, invalidity benefits have doubled.

That gives government ministers good reason to examine this area of social security as part of the effort to tackle the fiscal deficit - likely to be £50bn this financial year - without further increases in taxation.

In 1992-93 invalidity benefits cost the taxpayer £8.1bn out of social security spending of £79.2bn. Five years earlier invalidity payments came to £3bn compared with total outlays on social security of £48.9bn. Invalidity benefits now account for nearly 8 per cent of the cost of social security, up from 6 per cent in 1987-88.

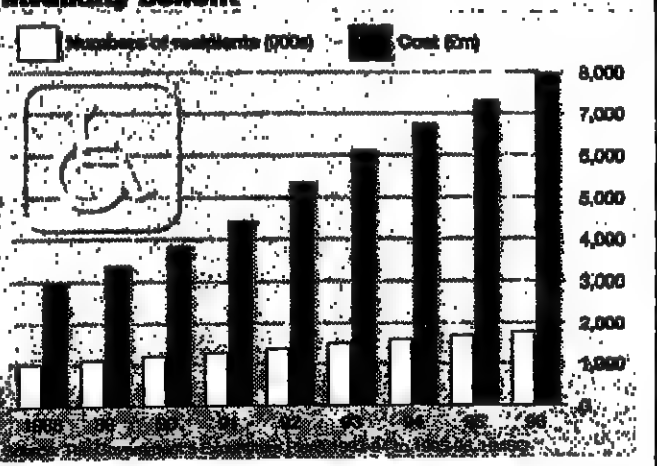
People receiving these allowances have increased from 1m five years ago to 1.5m last year. For all the obvious political risks involved, the idea of cutting these payments has some practical advantages. Invalidity benefits add up to one of the larger areas of social security spending, which accounts for almost a third of total government spending.

Efforts to reduce state pensions - responsible for nearly half the social security bill - or child benefits would provoke outcries from a wide cross-section of society. Targeting invalidity benefits may be less politically risky.

There are three main ways to cut the benefits: make them taxable, crack down on the criteria used when handing them out or cut them.

The benefits are typically

Invalidity benefit



paid to men in their 50s who have lost their jobs and are considered as unfit for work. While a person on unemployment benefit gets about £45 a week, if he or she can be categorised as unfit for work the sum goes up to £56. An extra £12 allowance is available if the man or woman is under 40.

Evidence weighed up includes a written assessment from the individual's doctor and, significantly, the likelihood of employers hiring them. During the recession, which has been accompanied by a steep rise in unemployment, individuals with even mild disabilities have been less likely to get jobs. That has been both because of the large numbers of able-bodied people on the jobs market and because employers struggling to cut costs are less prone to make allowances for people capable

of working anything less than full-time. In the 1980s a person on invalidity benefit might after a year or two have been able to find a job and leave the social security register. In recent years this has been far more difficult. Ministers suspect that doctors find it hard to resist pleas to certify patients as unfit to work. They are considering a more rigorous medical test to target the benefit on the genuinely sick and disabled.

A second reason why the numbers of people on these allowances has risen is probably because they pay more than unemployment benefits.

When unemployment benefit runs out after a year the only benefit available for those not getting invalidity benefit are means-tested - excluding people with savings.

Peter Marsh

## Desperately searching for some common ground

David Goodhart and Alison Smith on the Labour leader's uphill struggle for one member, one vote

IT HAS not been a bad week for Mr John Smith, the Labour leader, whose Commons performance on Wednesday raised the flagging morale of his party and increased the government's discomfort.

But earlier in the week the three seaside union conferences which rejected the Smith plan for reforming the party's links with the unions were a rude reminder that his leadership still faces a critical summer-time test.

The Smith camp, and other supporters of "one member, one vote", are adamant that they can still prevail in spite of the clear majority of votes at this year's Labour conference that are committed against removing the unions from selection of political candidates.

Mr Smith is said to be absolutely determined to have his

SUPPORTERS of electoral reform in the Labour party yesterday won the support of the executive council of Britain's biggest union, the TGWU, which agreed to support change to the existing

electoral system. The decision to support change was made after a consultation process in the union. It did not specify which alternative voting system it favoured. Mr Bill Morris, TGWU general secretary,

also announced that tentative merger talks with the building union Ucat had started. He said there was a clear logic to a merger as Ucat and the TGWU were the two biggest unions in the industry.

The Labour Party rather than just union members, and that the register is thus an acceptable compromise. But such a deal would be seen not as a compromise but as a victory for the union barons.

The only realistic way out would be to postpone the issue for another year - but that merely leaves the problem unresolved and open to exploitation by political enemies.

So how is Smith going to win? Some supporters say that when the union leaders see how serious he is they will change their minds, or at least abstain, at the party conference and thus let one member, one vote prevail.

Others suggest that although there might be a clear majority against the Smith position it will not unite around any alternative. The TGWU general

light he cannot afford to lose. If he does lose he will not be able to say anything without being accused of being the mouthpiece of producer interests.

Over the weeks leading up to the September conference the possible compromises will no doubt be closely examined, and the committee which has examined Labour-union links may be reconvened to try to find one.

The trouble is that compromise between the two positions now staked out is hard to find. In order to repair some of the

damage to union pride created by the anti-union tone of the debate in the immediate aftermath of election defeat, supporters of reform will emphasise how much they broadly approve of the union role in the Labour Party and stress the plan to offer cut-price membership to union members.

There is no obvious half-way house between one member, one vote and voting as a union member. GMB and Nupe officials say that political levy-payers who sign a Labour supporters register would be voting as associate members of

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Saturday June 12 1993

## Hard choices for Mr Clarke

POSTERITY WILL judge Mr Lamont more kindly than did Sir Norman Fowler. It could hardly do otherwise. The question that matters, however, is how it will judge his bouncy, bluff successor, who announced only this week his desire to strengthen the "real economy". Will he be judged "brilliant" three years from now, to be degraded subsequently as another in a lengthy line of "dash for growth" Tory chancellors?

British postwar chancellors of the exchequer are either unpopular in office, because they have to clear up the mess made by their predecessor; or they are unpopular after leaving office, because they made the mess their predecessors must clear up. Mr Lamont can comfort himself with the thought that he is in the first category.

He is so doubly. The ex-chancellor's predecessor but one, Nigel Lawson, presided over the economic expansion of the latter part of the 1980s. The ex-chancellor's immediate predecessor, John Major, decided to put sterling into the ERM at a central rate of DM2.95. The first request led to the subsequent recession. The second blocked off the escape route when it was desperately needed. Mr Lamont could do little but cope with the inevitable unpopularity. He was hapless rather than tragic, but hapless he certainly was.

Despite the limited room for manoeuvre he enjoyed, Mr Lamont was even something of a reformer, notably over fiscal procedures. He will be remembered for the new tax-claiming system, the control of public spending, for the multi-stage Budget introduced in March; and for the unified Budget, first due in November this year. He will be noted also for designing a post-ERM framework for consolidating low inflation, which includes the 1-4 per cent inflation target, the monthly monetary report and the Bank of England's inflation report.

### Specious arguments

Mr Clarke does, in short, inherit much of value from his now universally denigrated predecessor. It includes an opportunity for sustained growth. Unfortunately, his temptation will be to take it away. If Mr Clarke is to recognise the dangers he faces and the opportunities he enjoys, he must first see through some of the specious arguments he is being offered.

Some of those who blame the ERM for everything wrong with the economy fail to admit they have really been against the costs of lowering inflation. Some of those who say that monetary and fiscal policies must be targeted at real economic growth fail to say that they do not care about higher inflation. The first group was

against lowering inflation. The second is against keeping it low. Neither approach is acceptable.

The warning was properly given by Mr Eddie George, the next governor of the Bank of England, on the very day that Mr Lamont fired his missile at the occupants of the front benches. Sound money, said Mr George, "is about jobs and investment; it is about living... standards; it is not just the abstract ideal of a crusty, academic profession".

### Headless chickens

Stopping inflation is painful. It is painful for those who bought houses in the belief that prices could only go up. It is painful for property investors. It is painful for those who lost their jobs. To have paid so much for lower inflation was quite bad enough. To have to undergo the agony once more would be unforgivable.

It is hard to be optimistic, however, since success depends on the judgment of politicians subjected to the panics of a few hundred headless chickens behind them and the often unrealistic expectations of the millions of their masters in front. Policymaking is also going to be exceptionally difficult. The debt-encumbered recovery now under way has no postwar precedent. Experience elsewhere suggests further cuts in interest rates may well be needed. But how far can interest rates be cut and how much should fiscal policy be tightened to compensate?

Nothing will be more difficult than the fiscal policy decisions. The least the chancellor can do is keep to existing spending targets. These are tight, allowing an increase of only about 2 per cent in real terms between this year and 1995-96. They will not be achieved without making tough decisions even in sensitive areas. So what does Mr Clarke mean when he says he did not come into politics to dismantle the welfare state? Is invalidity benefit sacrosanct? What about mortgage interest relief and other perks for the middle classes? And why is income tax to be left out of the fiscal equation? If the budget deficit is to be tackled, those who earn most will have to contribute too.

What Mr Clarke intended when he set sustained recovery as his aim will be shown by how he makes such choices. At each point, there will be both more prudent and riskier options. At each point, arguments will be made in either direction. A disastrous chancellorship is one in which every decision is taken in the riskier direction. Recovery will come. Mr Clarke must persuade his party to allow him to err towards caution.

We have a politician at the Treasury. Emerging this week from the briefest of silences after his elevation to the chancellorship, Mr Kenneth Clarke had a simple message for those seeking to second-guess his economic strategy: they should look at where he came from.

For those unfamiliar with his background, he filled in the details. His convictions and opinions had been shaped in Nottingham - a place where people got their hands dirty, where the priority was to get a job, to earn a living. And the new chancellor had not torn up his roots: "I hardly know the City... I only come to London because I have to come here to do the particular work I have to do."

Unintentionally, Mr Clarke told us something else. As his demoralised backbench colleagues roared with approval during his first House of Commons performance as chancellor, he confirmed his status as the most powerful force in the cabinet. Mr John Major has pinned on his new chancellor his remaining hopes of survival in 10 Downing Street. But Mr Clarke has been appointed their apparent, should the Conservative party fail to recover its collective nerve. His first outing as chancellor could not have been more successful. At lunchtime on Wednesday he charmed the parliamentary press gallery with his witty but serious insight into the politics which will drive his economics. By 9.30 that night he was restoring hope to the Tory MPs who had been left stunned by Mr Lamont's blistering attack on the prime minister.

Those waiting for what he termed the "odd quip about the monetary aggregates" had to be satisfied with an assurance that as a former lawyer Mr Clarke had "handled money". He also had friends who worked in the City. He was "not bad" on the geography of the Square Mile.

There was, however, a short, sharp description of the framework in which his economic strategy would be shaped. Introducing a new label into the political vocabulary, he put himself in the "hard centre" of Conservatism - pro-Europe, pro-market economics and pro-enlightened social reform.

Combining that with his personal background and it produced a chancellor who was committed to industrial and economic expansion, and to providing opportunities for people to improve their living standards. After all, as he put it, "that's the point of the whole thing -

Kenneth Clarke must back up tough words with decisive action, writes Philip Stephens

## Muck, brass and plain talking

growth and employment".

But for a consummate politician as Mr Clarke, this week was the easy part. Anyone can change the rhetoric of policymaking. There are many in the Treasury who have been worried for some time that the uncompromising language in which the government has framed its anti-inflation commitment had begun to distort the basic objective of economic policy.

Mr Clarke has restored the balance, reminding people that the containment of inflation and a modicum of fiscal prudence are means to an end rather than ends in themselves.

But the chancellor - who next week will follow his message to the politicians with his first attempt to win the confidence of the financiers - faces hard decisions. His inheritance does not live up to the unalloyed optimism of his predecessor.

True, Britain is one of few western industrial economies showing real signs of growth. The headline inflation figure is the lowest for 30 years. A sharp fall in wage settlements and depressed international prices are reassuring.

So there is little debate in the Treasury about the stance of monetary policy. Some believe that interest rates at 6 per cent are fractionally too high; others might like to see them move up slightly. Any argument though is at the margin. But the recovery is still fragile, vulnerable to the slide into recession of most of Britain's principal export markets. Inflation will soon begin to creep up in response to the delayed impact of devaluation.

And then there is the "iceberg" - Mr Clarke's word - upon which it might all founder: a £1bn a week borrowing requirement equivalent to 8 per cent of national income.

Those who have spoken to the chancellor about his priorities since his appointment detect no great difference with Mr Lamont in the substance of his attitude to inflation.



His presentation is different - relative price stability is a necessary but not a sufficient condition for economic growth. But there has been no hint that he wants to relax the aim of monetary policy. In next week's speech at the Mansion House he will reaffirm the 1 to 4 per cent inflation target set after ster-

ling's exit from the exchange rate mechanism. As Mr Clarke commented: "I have no intention of putting a sponge right across Norman Lamont's economic slate". But his approach to the public borrowing requirement is more opaque. He said several things this week.

The first was that the deficit must be reduced if recovery was to be sustained. The second, that in sticking to the Treasury's spending targets, he had no interest in dismantling the welfare state - suggestions of hotel charges in hospitals and prescription charges for the elderly were given short shrift. The third was that his political instincts did not incline him - as some reports had suggested - towards increasing income tax in his November budget.

On one level he was simply recognising political realities. The more draconian proposals thrown up by the Treasury's review of welfare spending would never muster a majority in the House of Commons. Why not discount them now? Nor in the present state of the Tory party is it sensible to start talking even about the possibility of raising income tax.

But observers both inside and outside of government were left wondering how, if spending was not to be cut and taxes raised no further, Mr Clarke planned to square the circle. (One of the striking things about the new chancellor is that he tends to say the same things in public as in private.)

There was one clue to his thinking. In his references to the cause of the deficit Mr Clarke suggested that the causes were "mostly" cyclical. The implication is that a resumption of growth will solve most of the problem. Restraining increases in public spending to below the rate of growth of the economy - and the delayed tax increases already announced by Mr Lamont could deal with the remainder over time.

It is a plausible strategy, but one fraught with risk. Nobody in the Treasury is sure just how much of the deficit can be attributed to the recession. No one can confidently predict the lags between the economic upswing and a commensurate adjustment in revenues and expenditure.

It may be that the uncertainties will demand a political as much as an economic judgment. All the choices - cutting rather than containing spending, raising taxes, and waiting for economic recovery - pose a formidable test of nerve. A mistake might well be fatal.

In two weeks at the Treasury Mr Clarke has exhibited effortlessly all of the political skills his predecessor lacked. He is confident, combative.

He might yet spend as short a period in his present office as did Mr Major. But the politician at the Treasury will soon have to follow words with actions. It takes more than an empathy with the real world of the industrial Midlands to run the economy.

In. It's less likely now that we will have an interest rate cut."

Investors elsewhere in Europe are now being attracted into sterling bonds by high interest rate differentials. Not only are they buying gilts, but some hefty corporate bond issues, including £250m from British Gas and £150m from Marks and Spencer, have been mopped up within the past few days.

"The Germans are becoming quite enthusiastic about gilts," notes Stephen Lewis of London Bond Broking. The markets, he says, have been comforted by the warnings of Eddie George, who becomes governor of the Bank of England next month, that interest rates should not be cut at present.

Mr Lewis comments that the City was not sorry to see Lamont go. Clarke, as he juggles growth rates against interest rates and fiscal deficits, is for now in a position to be "all things to all men".

## Still on an even keel

Barry Riley on the City's reaction to the new chancellor

A minor flurry of speculation over interest rates has died. "Lamont's remarks will make it more difficult for Clarke to cut interest rates," says Roger Bootle, chief economist of Midland Bank. He argues that a rate change would now have to be solidly justified by economic evidence - for instance, slow monetary growth and a faltering recovery - rather than by political convenience (which Lamont implied had motivated the last cut on January 26).

David Shaw, who heads investment strategy at one of the biggest life assurance groups, Legal & General, says the key decisions may not be made until the autumn. "We

are worried that the emphasis will be on public spending cuts rather than tax increases," he says. In the meantime, however, "nothing much will change for several months". The City expects a quiet period while Clarke masters his brief. So although he is about to make a big speech at the Lord Mayor's Guildhall dinner on Tuesday, an event at which the chancellor normally discusses the technicalities of funding policy and monetary strategy, tension is low.

"I don't think it is realistic to expect anything very new," says Kevin Adams, UK bond strategist at the leading government bond house, Barclays de Zoete Wedd.

Despite all the initial speculation that Clarke might overthrow the discredited Treasury advisers and strike out afresh, beginning with cuts in short-term interest rates, the markets have quickly come to a more conservative judgment. Since Clarke was appointed on May 27, short-term sterling interest rates have tracked sideways and, although the sterling exchange rate index initially eased a little, this week it has been rallying.

Demand for sterling bonds has also picked up. "Gilts have ignored everything this week," comments Robert Thomas, head of research at NatWest Capital Markets. "The government is pretty well hemmed

### MAN IN THE NEWS: Richard Riordan

## White mayor's burdens

Richard Riordan, the financier and property developer elected mayor of Los Angeles this week, has been described as "LA's version of Ross Perot". A multi-millionaire who has never held public office, Riordan spent \$2m of his personal funds to sell himself to LA voters. Like Perot, Riordan won votes by promising to apply his business skills to create jobs and improve the economy. Unlike Perot, however, Riordan must now move beyond criticising the political establishment and demonstrate his ability to use his office, rather than his money, to influence events in the second-largest US city.

His personal wealth of about \$100m has been derived from investment banking and property after he was left \$50,000 by his father, a New York Irish immigrant who became a department store president. Riordan was the youngest of eight children, and graduated from Princeton with a degree in philosophy and Michigan with a law degree. He moved to LA in 1956 to work for a law firm.

By 1984 Riordan had formed an investment banking firm with two partners, and was on the board of Mattel, the toymaker, which faced insolvency when the video game market crashed. He was a leader of a group of investors which bailed out the company in a \$200m-plus buy-out. About 800 Mattel workers in southern California lost their jobs when their factory closed. Riordan netted an estimated profit of at least \$20m.

The problems he faces as mayor could dwarf his former business challenges. Next month, he will take over the leadership of a city still scarred by last year's riots, bristling with racial tensions and struggling to boost its

flagging economy.

Riordan's first priority must be to repair the damage of a bitter and divisive election campaign. Although he won 58 per cent of the votes cast in Tuesday's election, his supporters were predominantly white, suburban and affluent. He won 67 per cent of the white vote, but only 14 per cent of the black vote, according to a poll by the Los Angeles Times. Among Asian-Americans, 31 per cent chose Riordan; and 43 per cent of Hispanics voted for him.

Former business associates disagree that Riordan played on the fears of white voters, accentuating racial tensions. "I've known Dick for 20 years, and he is conservative on some issues but a social liberal on others. He will represent all the people of Los Angeles," said Ray Remy, president of the Los Angeles Area Chamber of Commerce.

Riordan pledged on Wednesday to "unite Los Angeles", but minority groups remain sceptical. "I'm not particularly optimistic," said Dolly Gee, co-chairman of Asian Pacific Americans for a New LA, a coalition of Asian community groups. "Other than his recent attempts to appeal to community groups, he does not have much of a track record on being involved in the poorer sections of the community."

While acknowledging Riordan's philanthropy, Ms Gee said: "Giving money to charitable groups is not synonymous with having an understanding of the problems." The mayor-elect "lacks hands-on experience in trying to unite the divergent interests of different segments of the community".

However, Riordan has tried to dispel concerns that Los Angeles will be governed by a "group of white men in suits". "My administration



will be made up of Democrats, Republicans and independents, people of every race, creed, colour and sexual orientation," he said.

His first appointment has been to name his business associate and campaign chairman, William Wardlaw, who was also involved in President Bill Clinton's California campaign, to lead the effort to hire members of the new city administration. Others who might be involved include a handful of minority supporters.

In particular, Riordan must reach out to the black community, which solidly backed his opponent in the mayoral race, Michael Woo, a Chinese-American liberal.

Riordan's ability to work with state and federal government will be crucial in his attempts to revive LA's economy. Despite having presented himself as a "political outsider" during the campaign, his connections in Sacramento, the state capital, as well as in Washington, are already evident. On Thursday,

Riordan met California governor Pete Wilson, a fellow Republican.

LA's business community can be relied on to rally round the mayor-elect. "We support his efforts to retain jobs, not raise business taxes, and increase the number of police officers on the street," said Mr Remy.

Yet even Riordan's supporters question whether his business skills can solve LA's problems. Mr Remy notes: "It is one thing to negotiate to buy a building or a parcel of land and quite another to deal with the intricacies of city, state and federal politics. That can be very frustrating."

Nor does the business community wholeheartedly support one of the main planks of Riordan's election campaign - a plan to privatise such city services as rubbish collection and to lease the Los Angeles International airport to private operators to raise funds to pay for 3,000 extra police officers.

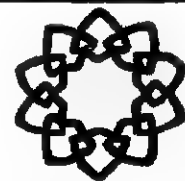
It already appears that Riordan may have to find other ways to fulfil his campaign promise to expand the police force, thus reducing crime and attracting business. Raising taxes might not be the answer, as this could alienate important Republican supporters.

The question is whether Riordan, the businessman, can become Mayor Riordan, the political consensus builder. "Dick has not been outside the political process, he has been a close observer through his many dealings with the city," says Mr Remy.

Indeed some regard him as the "consummate insider". "He is a political power broker who has exerted his influence through political contributions," says Ms Gee.

As mayor, Riordan will have a forum but few funds. His immediate problem will be to attract state and federal money to resolve the city's looming \$500m budget deficit. He will be judged, however, on his ability to win the support of those who either didn't vote for him, or didn't vote at all.

Louise Kehoe



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It will be Hog Heaven. About 60,000 leather-clad motorcyclists will rumble into the US city of Milwaukee today to celebrate one of the greatest icons of American popular culture - the Harley-Davidson motor-cycle.

It is 90 years since the first crude Harley was assembled in the Davidson family's Milwaukee backyard, and to mark the occasion convoys of bikers have spent the past week riding their Harleys - which enthusiasts call "hogs" - to the city from every corner of North America.

Today they will party. By the shore of Lake Michigan they will eat, drink and rock to the sounds of ZZ Top, a band whose members ride customised Harleys known as Hogzillas.

Some of the aficionados will get married, taking their vows in a riot of gleaming chrome and buffed leather on the front steps of that holy of holies, the red brick Harley-Davidson headquarters building. The brides, naturally, will wear black.

But this is much more than a birthday party. It will also celebrate the revival of a company which 10 years ago seemed to be at death's door, another example of an industry killed by competition from Japan.

Instead, Harley has beaten back rivals such as Honda, Kawasaki and Suzuki, and its share of the US market for big bikes (over 600cc) has risen to about 60 per cent from a nadir of 28 per cent in 1983, even though the overall market has dropped substantially during the decade.

Harley is starting to focus more on international sales, where it sees big growth potential, since it has only 10 to 15 per cent of the market outside America.

However, its machines are so popular in the US - despite often having a much higher price tag than Japanese rivals - that the company

Bikers are celebrating more than a 90th birthday at Harley-Davidson, says Martin Dickson

cannot keep pace with demand, even though it has more than doubled annual output over the past six years to about 80,000 cycles. The bikes have to be painstakingly rationed out among dealers, with only 30 per cent reserved for the export market.

The turnaround is a case study in how western companies can take on the Japanese and win, helped by a degree of protectionism, attention to quality, employee involvement and, in Harley's case, clever marketing.

For the company is selling far more than a humble means of transport. It is marketing a lifestyle - what executives refer to as "the Harley experience".

This blends images of macho, rebellious US individuality and personal freedom - a Harley rider alone on the open road, somewhere in the vastness of America - with down-to-earth group social events organised by the company.

The Harley motto - "Live to ride, ride to live" - has an irresistible appeal to many people trapped in humdrum jobs. Ageing baby boomers find solace in the suggestion that a Harley engine contains the elixir of youth. "A Harley-Davidson is ageless and timeless," runs one advertisement. "On it, you cannot grow old."

All this has helped the company broaden the appeal of its products beyond the industry's traditional young, male, blue-collar customers to professionals, the middle-aged, and women.

The average US owner, according to the company's market research, is 38, married, with a household income of \$43,000 a year. Some 30 per cent of buyers are women. Har-



ley maintains that Hell's Angels, one of the company's most visible customer groups, make up only 1 per cent of the total.

None of this recent marketing success would have been possible without the particular mystique which has long surrounded Harley, making it seem the serious biker's bike. This is partly to do with Harley's styling - raw, yet glamorous - and partly with its V-twin engine, which gives out a distinctive thump likened by some to the beat of the heart.

The image has been powerfully reinforced by Hollywood. Peter Fonda rode a modified Harley in the classic 1960s road movie, Easy

Rider. Arnold Schwarzenegger mounted a Harley Fat Boy in Terminator II: Judgment Day.

Still, the brand name was little help at the start of the 1990s, when Harley's market share skidded because of quality problems. Its engines were technologically primitive and tended to leak oil, while an attempt to expand production rapidly meant half the machines coming off its assembly line had missing parts.

In 1983, the loss-making business was sold by the then owner, the conglomerate AMF, to its management, and many observers predicted early bankruptcy.

However, the new team radically

changed the way it made bikes, imitating Japanese methods of quality control. Says Mr Jeffrey Bleustein, who heads the motorcycle operations: "It took us a while before we realised they [the Japanese] were just better managers than we were."

Harley also developed a more sophisticated engine, got government help (in the form of tariffs on Japanese imports, lifted in 1987) and, in 1988, eased its heavy debt burden with a public flotation.

Despite the surge in demand for its products, the company has been careful to expand production gradually. Stung by poor quality once, it

does not want a repeat performance.

Unlike many consumer product companies, Harley concentrates most of its marketing expenditure on customers after they have bought its machines. The idea is to hook them for life on "the Harley experience", buying more and more expensive bikes when they trade their old ones in. The price range runs from around \$4,500 (\$3,100) to more than \$16,000.

Central to this was the formation of the Harley Owners Group - Hog for short - a club restricted to Harley buyers, which organises rallies and charity fund-raisers.

It not only promotes a sense of exclusivity and purpose among owners, but also gives the company valuable feedback on fashion trends among bikers, who like to customise their machines with individual flourishes.

"The motorcycles are the canvas, the parts and accessories are the paint; that's where everyone can express their individuality," says Mr Jerry Wilke, marketing chief.

A central figure at the rallies is Harley's head of design, Mr William Davidson, known as "Willie G", a grandson of one of the company's founders. He has been responsible for many of the company's most important model innovations, such as the 1971 Super Glide with its extended front forks, and the 1977 Low Rider, with its seat close to the ground.

Many bikers think he embodies the soul of the company. With his thick beard, dark glasses and fringed leather jacket he looks the part. Fans often ask him to carve his name with a screwdriver in the metal of their machines.

However, Harley's top executives are all keen bikers and are leading each of the 90th anniversary convoys across country towards Milwaukee, raising money for charity as they go. It is hard to get closer to the customer than that.

Another important marketing initiative has been to encourage Harley dealers to transform their outlets from grimy workshops into attractive retail outlets, selling not only bikes but a broad range of Harley brand accessories, clothes and mementos, made by or licensed from the company. Women can buy black Harley bathing suits, with the company name studded across the front.

All this has transformed Harley's profits. It made \$83.8m last year on turnover of \$1.1bn. Debt on the balance sheet is now negligible. Next month it will mark a milestone on its return to financial health by paying its first dividend since flotation.

The recent record, however, is not flawless. The company also owns Holiday Rambler, which makes Recreational Vehicles - caravan-like trucks in which Americans cruise around the continent. Holiday Rambler makes little money (it lost \$13m in 1991) and Wall Street would like Harley to sell the business.

Industry observers are also a little edgy about the company's plan to expand motorcycle production by 35 per cent by 1996 to 100,000 a year. Harley insists that it will do so in a way which retains the quality of its bikes and service, but the analysts note that it suffered hitcrups recently with a new paint plant.

Some also ask whether Harley's popularity, as well as a small upturn in the US motorbike market in the past two years, could be a fad.

But Mr Richard Teslink, the chief executive, although concerned about the company growing arrogant, says confidently: "This is a fad that has been going on for a long time - 90 years."

## Tyrannosaurus resurrectus

Clive Cookson and Allison Henwood on fossil futures



Jurassic hives: the head of a 40m-year-old stingless bee preserved in amber from the Dominican Republic

This week - with a sense of timing that the best Hollywood merchandiser could not have matched - the venerable British research journal Nature published evidence suggesting that the movie is slightly less far-fetched than it may sound. A Californian research group including Dr George Poinar, a scientific adviser to Jurassic Park, has extracted the first samples of genetic material (DNA) from the dinosaur era.

Admittedly, the 120m-year-old DNA came from an extinct weevil rather than a dinosaur. And the Californian scientists isolated just fragments of two genes rather than the 100,000 or so complete genes that would provide full instructions for anyone wanting to recreate the insect.

But they have demonstrated two propositions that would have seemed wildly speculative less than 10 years ago. First, the DNA molecule is robust enough to survive for millions of years under the right conditions. Second, scientists can fish out microscopic quantities of DNA and then make billions of copies for analysis (using gene-amplifying technology called polymerase chain reaction).

The link between Jurassic Park and the Poinar group's real-life discovery is amber, fossilised tree resin which has unique sealing and antiseptic properties. It is a honey-coloured time capsule, transporting trapped insects virtually intact from prehistoric forest to laboratory bench.

The Californian scientists worked on a tree-feeding weevil preserved in amber from the Cretaceous, Lebanon. Michael J. Crichton, who wrote the novel,

Jurassic Park, imagined extracting DNA from blood in the gut of a mosquito that had fed on a dinosaur just before it was trapped in the resin.

Unfortunately for the story, the vast majority of insects in amber are species that live or feed on trees, such as weevils, termites, ants and bees. Only a handful of specimens of blood-sucking insects are known from the dinosaur era (older than 65m years) - and scientists will be fantastically lucky if they contain dinosaur DNA that had not been broken down by digestive juices.

The greatest possible piece of luck would be to find a recently hatched baby dinosaur in amber - extremely unlikely but not out of the question. After all, lizards and frogs have been preserved in 40m-year-old amber from the Dominican Republic.

However, amber is not the only potential source of dinosaur DNA. In exceptional cases, the molecules may be robust enough to survive inside dinosaur fossils. Profes-

sor Jack Horner of Montana State University is attempting to find genetic material in bones of the ferocious Tyrannosaurus rex, which have been preserved in extremely dry mudstone beds.

Even if scientists do manage to extract dinosaur DNA from any source, it is hard to see how this could include the whole genome - the blueprint that would be the first requirement for resurrecting dinosaurs.

For the foreseeable future, any mad billionaire who really wants to create a Jurassic Park would do better to forget genes and build on the technique Mr Spielberg used for his movie: computer-controlled robotic dinosaurs. Over the next decade or two, artificial intelligence and bio-materials engineering will advance to the point at which it would be possible to create a lifelike Tyrannosaurus rex that behaved with terrifying unpredictability.

For the palaeogeneticist studying ancient DNA, the

ultimate objective is not to recreate any species - insect or dinosaur. The point is first to track evolution at the molecular level by following genetic changes over millions of years. The research may also reveal facts about an extinct creature and its lifestyle that are impossible to discover from conventional fossils.

Knowledge of a few intact genes from dinosaurs could answer many controversial questions about their evolution and relationship to today's reptiles, birds and mammals. And discovering a gene for a digestive enzyme, for example, would be a strong clue about what a particular dinosaur ate.

Although recreating a whole dinosaur is out of the question, anyone who isolated an individual gene would find it relatively easy to insert this into today's living creatures, employing methods already used routinely to transfer genes between species. Human genes, for instance, have been inserted into sheep, so that the human proteins required for medical purposes can be extracted from the animals' milk.

If scientists managed to isolate one dinosaur gene and insert it into a crocodile embryo, the creature would still grow up looking and behaving like a croc because its development would be controlled by thousands of its own genes. But it might produce some dinosaur proteins.

An enterprising company could make a fortune breeding and promoting the resulting crocodiles, even if just a millionth of their genetic material came from a dinosaur. Imagine Florida restaurants serving crocodile steaks or Tokyo department stores selling dinosaur shoes and handbags.

Biotechnologists, who are already nervous about the likely impact of Jurassic Park on public attitudes to genetic engineering, dislike such speculation. But it is a plausible scenario 30 years from now. Mr Spielberg's eventualities are unlikely to come to pass for 100 years, if at all.

## Charles Leadbeater on the current fashion for frugality in Japan

Big spenders bite the dust

Price-cutting is the latest craze to sweep Tokyo, a city of fads and fashions. The Japanese capital, where oranges often cost more than £1 each and a plot of land for a small house will cost at least ¥90m (£133,500), has long been one of the most expensive places in the world. But, temporarily at least, it is becoming a shopper's paradise.

In a land that adores foreign brand names, from Louis Vuitton and Chanel, to BMW and Dr Marten shoes, consumers are turning away from the designer goods popular during the late 1980s, when the economy was booming. Instead, they are going back to basics, influenced by old-fashioned notions like value for money which suit their straitened circumstances.

Take as an example the elegant avenue of Omote Sando, one of Tokyo's most fashionable shopping areas, home to the main retail outlets for leading Japanese clothes designers such as Issey Miyake and Comme des Garçons.

In the past year these shops have become ever more like modern art galleries, frequented by a tiny group of dedicated collectors. The sales staff usually outnumber the customers by a factor of two. In a nearby shop owned by Yohji Yamamoto, another leading designer, a shop assistant said: "We have just closed our shop in London because we weren't selling anything, but frankly we aren't selling anything here either."

The subdued atmosphere of Omote Sando is a far cry from the scene at the main outlet of what has become the hottest property in Japanese clothes retailing: Aoyama. Its shop off Tokyo's main shopping street, the increasingly tawdry Ginza, is usually crowded with hungry consumers. The reason: discounts of up to 90 per cent on suits made in China, which



are selling for as little as ¥2,500 (£16), the price of a pair of socks at Comme des Garçons.

Aoyama, whose discounts have been lauded by government ministers and senior bureaucrats, is the boldest price setter in a price-cutting war. Economists say discounting has become so widespread that the official measure of inflation - which is based on official list prices - is inaccurate. It shows inflation running at about 1.6 per cent a year. Discount prices could be falling by about 3 per cent a year, according to Mr Jesper Koll, economist at S.G. Warburg, the securities house.

Prices are not being cut across the board. A round-trip ticket for the three-hour bullet train journey between Tokyo and Kyoto costs about ¥28,000, the price of a cheap return flight to Seoul, the South Korean capital.

But washing machines, for example, are selling on average for 30 per cent less than their average list price of ¥210,000. Toyota Corollas are being offered at a discount of at least 15 per cent. And a Toyota dealer admitted: "We can start

negotiating after that."

The recent strength of the yen, which has risen from about ¥125 to the dollar at the turn of the year to about ¥106, has exacerbated the price pressure on some industries by making imports cheaper. Compaq and Dell, the US personal computer makers, took advantage of the yen's strength and their cheap manufacturing bases in south-east Asia to launch an assault on the Japanese personal computer market. Their machines are half the price of comparable Japanese-made models.

However, price-cutting has failed to reignite consumer spending. Consumer expenditure rose by 0.9 per cent last year, down from 5.1 per cent in 1988. The central bank's quarterly report on the economy, published yesterday, said consumer spending was still sluggish. This is owing to a complex mix of factors.

The prolonged downturn in Japanese stock and land prices has eaten into household wealth. In response, households have increased their savings - from 13.5 per cent of household income in 1990 to about 15.25 per cent this year - to rebuild their balance sheets.

These savings have come from incomes which are growing more slowly, by 3.2 per cent last year compared with 8.3 per cent in 1990. Consumer caution has been reinforced by job cuts at Japanese companies.

In the next year consumer spending may start to recover. A rise in share prices, and signs that the fall in land prices is bottoming out, are making people feel wealthier, and so more willing to stop saving. Yet even if there is a revival in spending, it will be modest and differ markedly from the late 1980s boom.

This is for two main reasons. First, some industries, particularly consumer electronics, may be facing a more prolonged fall in demand. The Japanese market for video records, camcorders and audio equipment is saturated. The main manufacturers, Sony and Matsushita, have failed to come up with new products to revive demand. In Tokyo's Akihabara district, home to most of its electronics shops, compact disc players are selling at discounts of up to 34 per cent.

The second factor is cultural. A shift in values is under way in the wake of the speculation and conspicuous consumption of the late 1980s. Consumer goods manufacturers say people want simpler, more functional products, with the stress on utility rather than design. Department stores such as Tokai are shifting staff from their deserted jewellery and fine art counters into department stores which sell their own-brand goods, with the stress on value for money. A recent sales campaign by Isetan, one of the most fashionable department stores among young people, summed up the mood with the slogan: Back to Basics.

Indeed, one of the most successful products of the past few months is a book that captures the mood of the times, the best-selling novel The Noble Philosophy of Poverty.

## Suppliers offer as much real value as customers

From Mr Richard Greensted.

Sir, Although Messrs Furnham and Pendleton (Management: "Seduced by the customer cult", June 7) make some intelligent remarks about the customer cult, they appear to have forgotten one important company stakeholder, the supplier. Suppliers invest considerable resources in the continuing good fortune of their clients, but are rarely treated as key contributors to a com-

pany's success. Exceptions such as British Airways, Marks and Spencer and the Royal Bank of Scotland are as scarce as they are enlightened.

Suppliers treated as stakeholders will quickly become partners and will add real value to a company's bottom line.

Richard Greensted, Richard Greensted Associates, 9 Burghley Avenue, New Malden, Surrey KT3 4SW

## Costly way to cash a cheque

From Mr E.G. Lester.

Sir, I refer to your article "Plan ahead for Holiday Cash" (June 5/6). Your writer lays insufficient emphasis on the charges that may be levied on cashing travellers' cheques.

I have very recently returned from Portugal. The banks in Lagos charge £2,100 (£9.00) on any travellers' cheque regardless of value. This, according to them, is a government instruction. It means, therefore, on a £20.00 cheque you get

£17.90 if it is the one cheque. This does not apply to those with local accounts.

I have expressed a reply from American Express indicating that its own branches do not charge. Unfortunately the nearest Amex branch to Lagos is some 20 miles away.

Tourists to Portugal should beware.

E.G. Lester, Magnobias, Hamm Court, Weybridge, Surrey KT13 5TB

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Level playing field for all types of investors

From Mr J.R. Anderson.

Sir, The desirability of a level playing field for all classes of investor is raised again by the fall of 17p (4 per cent) in the share price of English China Clays on Wednesday.

In Thursday's financial press this was ascribed to the effect of a presentation by the company to 50 fund managers on Tuesday night and it is reason-

able to assume that the fall was triggered by action taken as a consequence of what they were told.

Then yesterday came the announcement by ECC of a rights issue, a proposed acquisition in the US and a merger of its construction materials business.

Now, ECC may feel that it did its best to make whatever

information it imparted on Tuesday available to a representative audience. However, it was not generally available to the private investor until 24 hours later, by which time the bird had flown the coop.

Is there not, please, a clear case for the stock exchange committee to rule that those privy to such briefings should be debarré from acting on

them until the information has been published in the press? Indeed, this incident reinforces the stock exchange's own view that information given at such briefings should be simultaneously channelled through the exchange.

J.R. Anderson, 4 Vardon Drive, Wilmston, Cheshire SK9 2AQ

## Even the rich are not entirely insulated from human reality

From Mr Stephen Schick.

Sir, High Dickinson, Dean of Salisbury, says ("Wealth that's simply gross", May 29-30) that he often feels moral unease when in the company of the rich because "...they are insulated from the pain and vulnerability of the bulk of humanity", and they "cannot bear very much human reality". Does he really believe that the rich are insulated from the

pain of bereavement, of illness, of marital break-up?

He describes the rich as "kindly, witty and urbane". Does this not suggest that they have had more opportunities to cultivate the higher human sensibilities than those whose lives have been coarsened by deprivation? Has not this cultivation often produced great acts of philanthropy?

The dean expresses his

approval of a visitor from the Sudan who declined an offer of supper from his hosts after he had been given a substantial lunch on the ground that "we only eat every other day". He was "a vigorous, good and happy man".

Good and happy, perhaps, but no nutritionist would suggest that such a diet conduces to vigour.

Mr Dickinson fails to appre-

ciate that the sense of deprivation a person feels is always relative to his expectations. Someone who has never lived in comfort is likely to miss it less than someone who has experienced it and is then deprived of it by, say, redundancy and bankruptcy.

Stephen Schick, Garden Flat, 34 The Street, London SW3 4JA

## Pernicious prescription

From Mr S. Dickinson.

Sir, Richard Layard (Personal View, June 8) provides a classic example of what happens to economists in a depression: they become apologists for, not analysts of, failure, and the purveyors of pernicious prescriptions. EC unemployment has averaged 9 per cent in the past five years and is now back to the double digits: job security in the US and Japan is also a thing of the past. This indicates general stagnation, not a short-term aberration or the failings of a few unfortunate in society.

Layard, in explaining unemployment, emphasises workers' attributes (skills and price), rather than dismal returns on investment and the concomi-

tant failure to invest in future production. The cure for unemployment is sought among its victims, not at the level of the economy as a whole. Unemployment, for Layard, is a matter of benefits, training and wages. The cure? Cut benefits, increase training and control wages. No matter how this is dressed up it is an argument of the "they're too stupid, too greedy and too lazy" variety, which leads nicely into the "they need whipping into shape" argument. Such prejudice and support for authoritarian action by the state makes one nostalgic for the "get on your bike" idea.

S. Dickinson, 51 Woodside Avenue, Leeds LS4 2JX

## True owners wear bowler hats

From D.K. Wilmot.

Sir, I refer to Barry Riley's article, "When brass is greener" (June 8). In the main the investing institutions are not owned by proprietors but in their turn are run by managers.

Perhaps we can encourage

full transparency and accountability in those organisations. Then the true owners of capital may permit their appointed managers to wear bowler hats. D.K. Wilmot, 8 Moorfields, Northwood, Middlesex HA6 2NZ



## COMPANY NEWS: UK

Second rights in 16 months will help fund \$308m acquisition of Calgon

## English China Clays calls for £113m

By Andrew Taylor,  
Construction Correspondent

ENGLISH CHINA Clays, the world's biggest producer of china clay, yesterday announced a £113.4m rights issue, a \$307.5m (\$202m) US acquisition and plans to live off its building materials business into a separate company.

The announcements mark a further stage in the reorganisation of the company which had previously announced it was pulling out of UK housebuilding. ECC is acquiring Calgon, the US specialty chemicals business, from Merck the US drugs group.

To help pay for the deal ECC has proposed a 1-for-3 rights issue at 350p a share to raise £113.4m. The rest of the cash is to be provided from increased borrowings. According to Mr Andrew Teare, chief executive, this will raise the company's gearing from 24 per cent to 39 per cent.

In addition, the company announced plans to demerge its UK and US quarry operations into a separate company. This was not expected to take place until next year.

Mr Teare said the group wanted to concentrate its efforts on developing higher margin specialty chemicals

alongside its mainstream business of supplying china clay, used mainly for coating and fillers by the paper industry.

It is the second rights issue to be launched by the group in 16 months - in February last year it raised £209m to pay for the early redemption of \$350m of US auction market preferred shares (Ampps).

The company also announced yesterday that it planned to redeem its remaining \$50m of preference shares.

ECC's share price, despite the second cash call on shareholders, rose 9p to 425p. Calgon, which produces water-

soluble polymers and blockades mainly for water treatment made unadjusted operating profits of \$24.1m on sales of \$225.1m in 1992.

Just over 85 per cent of ECC's profits of £105.6m (£95.5m) last year were generated by its china clay operations. Operating profits from building materials, however, slipped from £24.6m to £15.5m.

Brokers to the rights issue, which has been underwritten by Schroders, are SG Warburg and de Zoete & Bevan. The company yesterday renewed its pledge to at least maintain its 1993 dividend at 28p.

## City fears cut in final dividend from BET

By Richard Gourlay

PRELIMINARY results on Monday from BET, the industrial services group, are likely to produce further disappointment, including a cut in the final dividend.

At the interim stage last November, five months after a £200m rights issue, Mr John Clark, chief executive, said it was the board's current intention to maintain the final 6.5p dividend.

But in the run-up to Monday's results, the market has come to expect a dividend cut and further provisions to reorganise businesses and assets write-downs.

The shares had risen from a low in April of 85p to 115p by this week fell back to 108p ahead of the results.

The interim dividend was cut from 4.5p to 3p. Robert Fleming Securities expects a final dividend of 2.5p while Morgan Stanley expects a larger cut.

More worrying to shareholders who took up the June 1992 rights issue, may be the fears among analysts that BET has not yet reorganised the business into a shape which will provide a firm foundation from which to grow when the recovery takes root.

Many of BET's businesses have low barriers to entry and have consequently faced significant margin pressure in addition to the difficulties growing sales.

"Rather than being poised for recovery," says research from Fleming, "BET is still restructuring and trying to refine its portfolio down to its strongest core businesses."

The rights issue has, however, allowed BET to improve its balance sheet by repaying most of its auction market preferred stock.

Robert Fleming expects pre-tax profits of £57m before the restructuring costs.

## Isosceles debt talks came close to failure

By Maggie Urry

THE CONCLUSION of the £1.4bn refinancing of Isosceles, the parent of the Gateway supermarket group, came close to failure, bankers involved in the deal said yesterday, when one party to the transaction refused to sign for more than 24 hours after the others had.

Signing began on Tuesday morning and all parties had been signed up by late that afternoon except for the outstanding party, which is understood not to have been a senior lender to the group.

That party signed on Wednesday evening, just meeting deadlines allowing Isosceles' banks, led by Midland Bank and Isosceles' advisers Hill Samuel, to go through the standstill agreement with banks expired.

The restructuring, Isosceles' third since it completed a £2bn leveraged buy-out of the Gateway group in 1989, was its last chance to avoid receivership. One banker said yesterday that "if the deal hadn't been signed on Wednesday night the shops would have been closed by now, and 40,000 jobs gone."

About 30 banks were involved in the deal which has been negotiated since the standstill agreement was signed just before Christmas. It will now be approved at a special meeting on July 2, where more than 90 per cent of shareholders have undertaken to vote in favour.

While the deal was not as complex as other restructurings of the same size, it was completed relatively rapidly and the fees involved are expected to be about £15m. It had its fair share of dramas, though, with the Bank of England becoming involved when three French banks demanded preferential treatment.

Under the deal Gateway is ring-fenced from Isosceles and has taken on £500m of debt, a level of borrowings which Gateway should be able to service while also spending about £100m a year on capital investment. Isosceles' assets were transferred to the new Gateway company at a value of £255m.

With operating profits for the year to end-April expected to total £100m Gateway can clearly pay an interest charge which would be about £27.5m annually. Gateway has no repayments to make for three years. At that point options will be reviewed again and there could be a sale of the business either in whole or in part to repay debt.

Isosceles is keeping the rest of the debt, totalling £349m. That will have to be serviced from any surplus cash passed up to Isosceles from Gateway. Its assets, apart from its shareholding in Gateway, are minor and include a golf course in Hertfordshire.

Of the Isosceles debt £255m is senior debt, and bankers involved feel there is a good chance that this can be serviced. However, there are doubts that the rest of the Isosceles debt, including a £400m zero coupon bond due to mature in 10 years, and certainly the ordinary shares, will ever have any economic value.

Even so, some shareholders, notably Wasserstein Perella, the New York investment house, and the Great Atlantic & Pacific Tea Company, the US food retailer, have agreed to swap for a share in a 19-year option to buy ordinary shares equivalent to 25 per cent of the company for £12.5m.

This was said to be a face-saving formula, devised for example to allow WP to ascribe value to its Isosceles stake held in an investment fund.

## Rock falls to make way for chemicals

Andrew Taylor examines the change of direction by the world leader in china clay

WHEN Mr Andrew Teare left Rugby cement group in 1990 to become chief executive of English China Clays it was assumed he had come to expand its building material interests.

Three years later the former Rugby managing director is taking the company in a completely different direction - hiving off the construction operations and expanding into specialty chemicals.

ECC will concentrate its activities around its mainstream business as the world's largest supplier of china clay, mainly for fillers and coatings for the paper industry.

Mr Teare argues that the acquisition of Calgon, announced yesterday, will complement ECC's business which has become increasingly sophisticated in the use and development of specialty chemicals for paper-making and other processes.

About 67 per cent of Calgon's sales of water-soluble polymers and blockades are for water treatment, a market in which it is the third largest supplier in the US behind Nalco Chemical and Betz Laboratories.

Only 20 per cent of sales its sales are to the paper industry.

Sales outside the US account for less than 20 per cent.

By comparison ECC sells in more than 100 countries. It is a market leader in western Europe and the US following its acquisition of Georgia Kaolin in 1990.

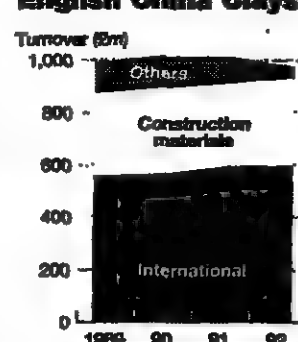
Mr Stephen Kirk, conglomerate analyst with Nikko Europe says: "The acquisition of Calgon makes great sense. Calgon will have access to ECC's international marketing operations and should be able to increase its sales to the paper industry, particularly in the US where ECC is strong."

"ECC will be able to broaden its product mix in a complementary business. Water treatment is a particularly good market to be in, given environmental pressures."

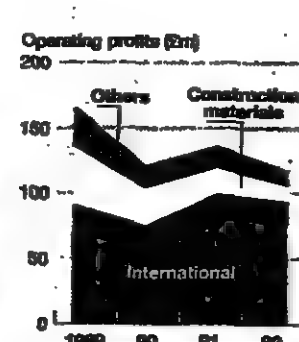
The ability to increase Calgon's sales should help net margins which at 10 per cent compare unfavourably with the 16 per cent achieved by rivals Nalco and Betz, according to Mr Teare. He claims the acquisition will be earnings neutral in its first full year, despite the high purchase cost.

He says that to maintain ECC's building materials business would involve the group

English China Clays



Source: ECC



Source: ECC

in capital expenditure of between £30m to £35m a year just to keep its stone quarries, lorries, crushers and other equipment in good working order. This money could be better spent elsewhere.

Mr Teare favours a demerger, similar to that which has just taken place at ICI, under which existing stockholders will be given shares in both companies.

"I believe shareholders get the best value this way," he says. He also argues that demerger motivates managers better than the threat of sale. ECC, however, does not expect a demerger before annual

results for 1993 are published next spring.

It has not ruled out a sale of the business, although Mr Teare says this is unlikely.

Analysts yesterday put the value of the business at between £150m and £180m.

ECC produces about 4 per cent of all aggregates supplied to the UK construction industry and 4 per cent of coated stone used in road building. It vies with a handful of rivals for the position of the UK's fifth largest quarry operator, behind market leaders Tarmac, Hanson, RMC and Redland.

Profits, however, have suffered as UK construction out-

put has slumped. Last year the business, which includes a quarry operation in Denver in the US, made operating profits of £15.5m on sales of £32.4m. A few years ago profits were about £50m on roughly the same turnover, says ECC.

Most of the company's quarries are in south west England. Its most attractive asset, however, is the Croft "super quarry" one of a ring of very large granite quarries in Leicestershire. Croft has the capacity to produce 3m tonnes of stone a year, compared with group production of 13m tonnes last year.

The business might prove attractive to a company like Wimpey which has indicated that it wants to expand. Wimpey this week announced a £104m rights issue to buy housing land and to expand its minerals operations.

RMC, the only one of the big four aggregate producers with out a Leicestershire "super quarry" might also be interested in making a purchase, say analysts. Another interested party might be Minorco the international mining business.

## Alvis agrees electro-optics reorganisation

By Andrew Selinger

ALVIS, the defence contractor, announced a reorganisation of its electro-optics activities, which involves the transfer of three businesses to the group's Avimo Singapore subsidiary. Shares in Alvis, formerly United Scientific Holdings, rose by 6p to 44p.

The Singapore-listed subsidiary, in which Alvis has a 51 per cent stake, will acquire the businesses - Helio, Avimo Taunton, and AIO - in a deal worth £17.1m.

Alvis, which makes armoured vehicles, will use the proceeds to pursue other areas of interest, either in defence or specialist engineering. It said grouping the electro-optics companies under a single focused management should increase their market penetration and profitability.

Mr Nick Prest, chief executive of Alvis, said: "The greater resources and flexibility afforded by this reorganisation should substantially strengthen the future development prospects of Alvis."

Helio, based in Kent, produces periscopes and turrets for armoured vehicles. Avimo Taunton makes military sights in Somerset. UIL holds a 49 per cent stake in AIO, which was established as a joint venture in 1982 to manufacture electro-optical instruments in Cairo.

The payment for the transfer

will comprise £3.2m in cash and the issue to Alvis of 14.9m new ordinary shares in Avimo Singapore at a price of \$81.50.

Mr Tony Pearson, Alvis's finance director, said the company would have net cash of about £13m after the deal was concluded. The transfer would dilute earnings in the short term, but Alvis had no intention of just sitting on the proceeds.

The Singapore company will fund the cash element of the transaction by making a 3-for-2 rights issue to its minority shareholders, underwritten by Morgan Grenfell (Asia). The net effect of will be to increase Alvis's stake in Avimo Singapore from 51 to 51.3 per cent.

Alvis yesterday also announced a 40 per cent increase in pre-tax profits to £2.19m in the six months to March 31. Turnover increased from \$22m to \$45.2m.

The improvement in pre-tax profit derived from an increase of more than 80 per cent in group operating profit to £1.2m and a greatly enhanced contribution from AIO, its Egyptian associate.

Alvis said the performance at Alvis Industries was disappointing. Group order intake for the first half was £24m (£47m). Earnings per share were 0.1p against losses of 0.8p while the interim dividend was held at 0.5p.

## Ritblat borrows to buy shares

By Vanessa Houlden,  
Property Correspondent

MR JOHN RITBLAT, chairman of British Land, entered yesterday into a loan agreement to finance his purchase of 1m British Land shares. The agreement limits his exposure to price movements of the shares being used as security for the loan.

"These arrangements contain certain provisions which will limit his exposure to movements in the price of these shares being provided as security for the loan, between today's date and 6th July 1994," the company said in an announcement to the Stock Exchange yesterday.

Mr Ritblat declined to discuss the loan. "It is nothing to do with the public. It is my private affair," he said.

The shares being acquired by Mr Ritblat are part of an incentive arrangement made by some British Land executives with the Quantum Fund, managed by Mr George Soros.

On June 2, when British Land announced its £132m rights issue and a partnership with the Quantum Fund, it said that Mr Ritblat would acquire 2m British Land shares. At least 1m of these shares were to be acquired from Quantum at Quantum's cost price.

## Martin Landau joins Clayform Properties

Mr Martin Landau, a well-known property entrepreneur who left the UK property industry in 1990 following the takeover of Imry Merchant Developers, has returned to the sector becoming deputy chairman of Clayform Properties, a small property company, writes Vanessa Houlden.

He and Mr Anthony Bodie, another property entrepreneur who has also joined the board, have bought a 5 per cent stake at 14p a share. Mr Landau intends using the company as a vehicle for acquisitions.

Mr Landau founded City Merchant Developers in 1986, after a management buy-out of part of Cubitts Past Properties, where he was managing director. In 1988 the company merged to become Imry Merchant Developers where he was deputy chairman, with responsibility for a £1m development programme.

He left after the £314m takeover by a consortium of private investors that eventually collapsed leaving the company in the ownership of Barclays Bank.

## BA proposes changes to boardroom election process

By Angus Foster

BRITISH Airways is proposing to change its articles of association to require its senior executives to seek periodic re-election by shareholders.

In the past, under previous chairman Lord King, BA's chairman, chief executive and one other executive director did not need to be re-elected.

The change, which will be put to shareholders at BA's annual meeting next month, will be seen as another attempt

by the company's new management under chairman Sir Colin Marshall to "improve the board's accountability."

BA has also increased the number and scope of its non-executive directors in a bid to comply with best practice following criticism in the wake of the Virgin "dirty tricks" allegations.

The proposals are revealed in BA's annual report, delivered to shareholders yesterday. The report confirmed the company spent £3m in legal fees connected to the January settle-

ment of libel litigation with Virgin and Mr Richard Branson. BA said a litigation provision of £22m, carried forward from previous years, would be retained.

The annual report also showed Lord King received no performance bonus last year, and saw his salary and emoluments fall from \$669,350 to \$478,790 in the 11 months before his resignation in February.

Sir Colin Marshall received emoluments of \$95,691 in the period February 5 to March 31.

## Proxies indicate that Heron refinancing will be accepted

By Maggie Urry

BANKERS involved in the Heron refinancing deal said that proxy voters received so far from bondholders are showing a majority for acceptance. Proxies have to be in by Monday, June 14, ahead of meetings of bondholders which began on June 28.

However, Swiss banks which originally issued some of Heron's bonds have not advised bondholders to accept the deal, under which they would receive new bonds and ordi-

nary shares in exchange for existing bonds.

Heron and its advisers say that if the refinancing deal is not accepted then the property group, headed by Mr Gerald Ronson, would be forced to start bankruptcy proceedings leaving creditors with significantly less than they would get through the refinancing.

Doubts about the refinancing stem mainly from the fact that the business plan on which it is based assumes a recovery in the property market.

Credit Suisse and SG War-

burg Securities, formerly SG Warburg Soditic, lead managers of some of Heron's bond issues, have written to bondholders setting out the advantages and disadvantages of the deal. Heron is understood to have written to them saying that their reports were misleading because they left out some relevant information.

Bankers said the Swiss banks felt unable to advise bondholders to vote in favour of the refinancing because if it failed later they could be sued by those who took their advice.

## Coats acquires Dutch fashion group for £35m

By Angus Foster

COATS VITELLA, the textiles and clothing company, has acquired Berghaus International Fashion Group, a Dutch-based distributor of ladies outer wear, for up to £35m.

The deal means Coats has realised its ambition to start clothes distribution in continental Europe. Its clothing activities have so far mainly been UK based.

Berghaus is also well established in the former USSR, which Coats left in 1917. "We've had aspirations in Russia since they know how to deal and how to get paid," according to Mr Russell Walls, Coats' group finance director.

Berghaus, which is unrelated to the UK manufacturer of outdoor equipment, has two small factories but relies on sourcing from eastern Europe and the Far East for about 90 per cent of sales. In 1992 the company made pre-tax and interest profits of £1.27m (£6.6m) on sales of £1.21m.

The company sells ladies coats and jackets throughout western Europe under the Berghaus, Domo and Polar Bear brands. Its sales network is slightly skewed towards northern Europe. It also supplies ladies outer wear to Marks & Spencer, one of Coats' most important clothing clients.

Coats raised the acquisition finance through a placing yesterday morning to institutions, arranged by Cazenove and BZW, of 15.2m shares at 218p. Coats' shares fell 3p to 224p.

Coats' net borrowings remain quite high, with gearing over 50 per cent at the year end, following the 1991 acquisition of Tootsie.

All of the Berghaus management have agreed to stay for "the medium term" and will retain day to day control, Mr Walls said.

The purchase price included £1.23m of goodwill and £1.35m of debt. Also included is a maximum of £1.5m if Berghaus achieves certain profit targets.

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current payment	Total for year	Total last year
Alvis	0.5	Oct 1	0.5	0.5	0.5
Bulfinch (AF)	0.1	July 30	0.1	0.1	0.1
Colson (AF)	0.1	Aug 11	0.1	0.1	0.1
Drummond	3.4	Aug 11	3.4	6.8	10
Osborne & Little	2.6	July 23	0.75	1.8	1.5
Somerville	1.5	Aug 13	2.35	4.8	4.35
Wash & Hodge	1.5	Aug 13	1.5	1.5	1.5
Witnurst	0.5	Oct 1	0.5	0.5	0.5

Dividends shown pence per share net except where otherwise stated. 10m increased capital. US\$M stock, \$US cents.

## LAWSON MARDON GROUP

## 1993 First Quarter Results

Net income for the quarter of C\$5.3 million (C\$0.13 per share) on sales of C\$303.8 million compared with C\$6.1 million (C\$0.21 per share) on sales of C\$308.6 million in 1992.

Earnings from trading, exclusive of the impact resulting from the weakness of sterling against the Canadian dollar, and after removing the effects of acquisitions and divestments, rose by approximately C\$2.1 million during the first quarter.

Included in the results are recently acquired LMG Suter in Spain and LMG Seleprini in Italy expanding Lawson Mardon Group's interests in the European folding carton and flexible packaging markets. The earnings also benefit from the recent expansion in U.K. trade print lamination, varnishing and finishing sector resulting from the acquisition by Hestley (Reading) Ltd, the holding company of the market leader Cellulose Ltd, of a controlling interest in trade finisher Zodiac Holdings Ltd.

"These are solid results earned in a difficult world economy. Our consistently strong performance reflects the aggressive action that we have taken to cut costs, increase productivity and improve our ability to make a profit in difficult times."

Andrew Maitland  
President and Chief Executive Officer

Copies of the 1993 First Quarter Results are available from:

Mr. R. J. Macintosh, Lawson Mardon Group,  
Public Affairs and Corporate Communications, 6733 Mississauga Road,  
Suite 700, Mississauga, Ontario, Canada L5N 6P6. Tel: (416) 821 9711

مكتبة المصطفى











## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar down on inflation data

THE DOLLAR lost 1½ pence against the D-Mark yesterday after May's producer price figures in the US showed that the rate of inflation was far smaller than had been anticipated, writes James Blitz.

Last month's producer price index showed a month-on-month rise of 0.6 per cent, raising speculation that the Federal Reserve would tighten interest rates later this year. However, the May figure showed producer price inflation unchanged, with the ex-food and energy figure up 0.2 per cent.

As if this were not enough to dash thoughts of an interest rate rise, the May retail sales figures also underlined that the US does not need policy tightening at the moment. Retail sales rose 0.1 per cent on the month, with the ex-autos figure unchanged. This compared with a much higher market expectation of a 1.0 per cent rise in the figure.

Before the figures were released, the dollar was bid as high as DM1.6355. But it quickly dropped back to bottom out at DM1.6180, closing in London at DM1.6255.

The market will wait for next week's consumer price inflation figure before giving its final verdict on US interest rate moves. Further confirmation could also come from the Michigan consumer confidence survey for June, due on Friday, which will show whether there is any sign of a recovery in the inflation figures.

Unless these talks produce a starting result, the yen is likely to retrace a little. But a focus for the market next week

will be the Japanese trade balance figures for May, which again should show a powerful surplus.

The yen closed at ¥106.05 from a previous ¥106.20. In Europe, sterling was again a strong performer, amid a growing belief that the UK will not reduce interest rates later this year. However, after peaking at DM2.4960, the pound fell by two pence in the late afternoon amid rumours that a British newspaper will soon report a new scandal at the heart of Mr John Major's government.

The pound closed at DM2.4750, down 4 pence of a pence on the day. Trading inside the European exchange rate mechanism was quiet yesterday. But most currencies have performed so well against the D-Mark in recent days, that there were strong rumours last night that France, Spain and Denmark could cut interest rates again next week.

## FINANCIAL FUTURES AND OPTIONS

LIFE LONG ONLY FUTURES OPTIONS									
Strike	Call	Put	Call	Put	Call	Put	Call	Put	Call
100	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
105	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
110	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
115	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
120	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
125	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
130	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
135	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
145	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
150	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

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110	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
115	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
120	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
125	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
130	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
135	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
145	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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135	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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125	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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115	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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135	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
145	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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115	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
120	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
125	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
130	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
135	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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120	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
125	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
130	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
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110	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
115	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
120	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
125	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
130	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
135	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
140	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
145	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
150	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

LIFE LONG ONLY FUTURES OPTIONS			
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# Equities unable to maintain advance

By Terry Byland,  
UK Stock Market Editor

AN UNCERTAIN session in the UK stock market ended on a sour note yesterday when rumours of an impending political scandal checked London's response to the strong opening of Wall Street which had followed good news on US retail sales and producer prices.

Earlier, the stock market rallied from a loss of 10.8 on the FT-SE Index, helped by a firm opening by stock index futures. Later, equities continued to steady as sterling responded favourably to satisfactory UK trade figures for the first quarter of the year, which showed a smaller than expected visible deficit on trade with the EC.

Account Dealing Dates			
First Dealings:			
May 24	Jun 7		Jun 27
Option Declarations:			
Jun 3	Jun 17		Jul 1
Last Dealings:			
Jun 4	Jun 18		Jul 2
Account Day:			
Jun 14	Jun 28		Jul 12
*How time dealings may take place from 8.00am to two business days earlier.			







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## WORLD STOCK MARKETS

## AMERICA

## Dow subsides after inflation data gains

## Wall Street

After posting big early gains on promising inflation news, US share prices fell back amid growing concern about the outlook for the economy, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was up 8.30 at 3,500.02. The more broadly based Standard & Poor's 500 was 1.02 higher at 446.40, while the Amex composite was down 0.83 at 434.97, and the Nasdaq composite up 2.76 at 690.79. Trading volume on the NYSE was 153m shares by 1 pm.

The release of the May producer prices index brought

relief to those in the markets worried that rising inflation would force the Federal Reserve to raise interest rates. The PPI came in flat last month, and the "core" measure (excluding the volatile food and energy components) was up by only 0.2 per cent.

The figures will relieve the pressure on the Fed to tighten monetary policy as a precautionary measure against inflation, and lifted both stock and bond prices. The Dow gained 25 points in the opening 30 minutes, while the benchmark 30-year government bond rose three quarters of a point, lowering the yield to 6.81 per cent.

The gains, however, were not sustained. The bad news about

yesterday's data was that the low inflation figures confirmed that the economy is currently too weak to support the price increases which were seen at the start of the year. The release yesterday of a disappointing May retail sales report - sales rose by only 0.1 per cent last month - was further evidence that domestic demand remains subdued.

Consequently, share prices eased off their early highs by mid-morning, as did bond prices, although less noticeably. Both stock and bond markets were aware that it might be premature to celebrate lower inflation until the May consumer prices figures are released. They are due out

early next week.

Bank stocks were helped by the reduced threat of a rise in interest rates.

Citigroup firmed 5% to 27%, Banc One rose 3% to 41%, Chemical bank 2% to 37%, BankAmerica added 3% to 42% and Wells Fargo climbed 2% to 101.

Minnesota Mining & Manufacturing, which fell sharply on Thursday following a profit warning from the company's management, rebounded, gaining 3% to 107 1/4.

Affiliated Publications, which owns the Boston Globe, rose 5% to 13 1/2 in volume of 1.3m shares, after the New York Times confirmed that it plans to buy Affiliated for

\$1.1bn in cash and stock. Occidental Petroleum fell 1 1/2% to 30 1/2 in busy trading after the securities house Merrill Lynch downgraded its short-term rating.

## Canada

TORONTO was unable to respond to Wall Street's improvement, the TSE 300 composite index registering a fall of 4.83 to 3,870.61 at noon as volume fell from 44.7m to 29.8m shares.

Gold returned to the upgrade, losing some of their strength in mid-session, and the main sector fall came in metals and minerals, down 35.35 at 2,931.83.

## Stronger yen casts its shadow over equities

Emiko Terazono reviews market activity in Tokyo

The summer months, historically, have been unkind to the Tokyo stock market. After the jump in activity during recent months, shares are currently facing a lull, on uncertainty over a higher yen and on caution regarding the course of the economy.

The Nikkei index rose 24 per cent during the first four months of this year, but it has remained almost flat around 20,000 during the past month. The 21,000 line has proven to be a tough one to crack, as investors who bought around that level in 1991 wait to unload their holdings.

There are now signs that US hedge funds, looking for quick profits, are anticipating a chance to sell into weakness, creating short positions in the near term.

Last month's corporate results season held few surprises, with pre-tax profits for leading companies down by some 30 per cent. Estimates for pre-tax profits for the current year to March 1994 are mixed, ranging from a rise of 14 per cent to a fall of 10 per cent.

The rise in the equity market over the past few months, seems to indicate that investors have discounted corporate profits for the fiscal year to March 1994. Mr Patrick Thompson, at Fleming Investment Management, believes that corporate profits could rise by 70 to 100 per cent for that year.

With the market on a protracted plateau of 70 times, however, many investors have started to feel uncomfortable over current valuations. They are not willing to increase holdings further until there is a fall in share prices or firm evidence of an improvement in the economy. Japanese institutional investors, who have been inactive during the recent rally, may not come in until they confirm the market's uptrend.

The sudden rise in the yen against the dollar threatens companies' projections of flat profits for the current year to March 1994. The rise also comes at a time when a spate

of statistics is casting doubts on previous optimism over an imminent bottoming out of the economy.

Bank lending for April rose by 1.1 per cent from the previous year, its smallest rise ever, while industrial output for April fell 2.2 per cent from the month before after two consecutive months of strong gains.

Mr Geoffrey Barker, an economist at Baring Securities in Tokyo, points out that the stronger yen could depress the Nikkei below the 20,000 level.

Meanwhile, the recent stability of prices has given authorities room to address the market's structural problems.

A recent report commissioned by the finance ministry identifies cross shareholdings between companies as a barrier to an efficient market.

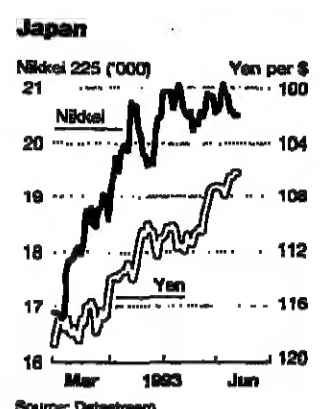
On the over-the-counter market, disclosure problems of small companies have once again made investors nervous. At the beginning of this month, Hanjin Industry, a construction machinery manufacturer, announced that it had filed for court protection, with liabilities totalling ¥170bn.

The company blamed "malicious credit reports" and allegations of tax evasion for its funding problems. While the incident reflected the vulnerability of small companies to rumours, it also cast doubts on the lack of disclosure by OTC companies.

Earlier this week rumours that TEIKO, a leading bearings company, was facing financial problems once again rocked the OTC market. The Japan Securities Dealers Association is now studying disclosure measures for OTC companies.

In the near term, the 21,000 level continues to be a barrier for the Nikkei. Japanese investors expect resistance at that level to persist, and remain conservative in their forecasts. Mr Kazuo Yamayama, fund manager at Yasuda Kasai Brinson Investment Management, expects the index to fluctuate between 18,000 and 22,000 until the autumn.

Mr Alan Livey at Kleinwort Benson is more optimistic. He sees the Nikkei falling to 18,500 in the worst case scenario, but thinks that the next few months will be a rough before a "powerful drive upwards", predicting that it will reach 24,000 by the end of the year.



Source: DataStream

## EUROPE

## Comment turns bearish after a good week

BOURSES, according to the Eurotrack 100, registered a good rise on the week. But analysts and strategists, meanwhile, were pushing them into the underweight basket, writes Our Markets Staff.

MILAN closed the week where it had begun with a further fall in Ferruzzi, down 1.73 or 9 per cent at 1,732. This followed news that the group had handed executive powers to the group of creditor banks headed by Mediobanca.

As a result the banking sector also dove, with Mediobanca losing 1.310 to 1,167.70 at the close before slipping to 1,159.90 on the kerf. Among the other creditor banks, BCI lost 1.374 to 1,242.30 and Credito Italiano 1.105 to 1,238.93.

There were fears, said some analysts, that should a debt-for-equity swap proceed in relation to Ferruzzi, similar arrangements might be negotiated for other debt-laden groups.

Montedison eased 1.5 to 1,875 at the close before sliding to 1,880 in after hours trading. However, Edison, seen as one of the remaining jewels in the Ferruzzi empire, remained steady, easing just 1.3 to 1,510. The Comit index slipped 1.35 to 531.89. Little changed on the week.

PARIS was supported

towards the close by a stronger Wall Street. The CAC-40 index gained 9.21 to 1,920.43, up 3.3 per cent on the week. Turnover was a moderate FF2.5bn.

Most analysts were expecting a rate cut on Monday given the recent strength of the franc against the D-Mark.

Among the day's movers, LVMH corrected Thursday's fall following its annual meeting, picking up FF2.23 to FF23.705 while, in the financial sector, UAP gained FF2.2 to FF23.705.

Eridania Bégin-Say, the sugar, agro-industrial, and branded foods company controlled by Ferruzzi, rallied FF8 to FF169.1, down 3.5 per cent on a week affected by the problems at its Italian parent.

FRANKFURT returned from holiday, and raised suspicions of window dressing ahead of the June 30 valuations. The DAX index climbed another 7.91 to 1,680.98, up 2.6 per cent on the week and just a few points short of its March 31 level. Turnover rose from DM5.4bn to DM5.8bn.

Carmakers had another good day, BMW, Daimler and Volkswagen rising by DM5 to DM473, DM8 to DM567.50, and DM430 to DM460.80 respectively, leaving analysts with their eyebrows raised. In Düsseldorf, Mr

## FT-SE Actuaries Share Indices

THE EUROPEAN SERIES										
Weekly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Eurotrack 100	1175.47	1178.52	1177.84	1176.57	1178.78	1180.05	1182.05	1181.85		
FT-SE Eurotrack 200	1230.55	1231.15	1231.17	1230.53	1231.15	1231.14	1231.76	1232.37		
	June 10	June 9	June 8	June 7	June 6	June 5	June 4			
FT-SE Eurotrack 100	1181.45	1181.59	1180.70	1180.78	1180.78	1180.78	1180.78			
FT-SE Eurotrack 200	1230.25	1230.01	1230.01	1230.01	1230.01	1230.01	1230.01			

See also 1992 (200/100) Index: 100 - 1182.62, 200 - 1232.40. London: 100 - 1177.51, 200 - 1230.55.

Eckhard Frahm of Merck Finck said that the bank was a seller of Daimler and VW, and that earnings per share here were going to be lower than the optimists were expecting. In London, Mr Bob Barber and Mr James Longhurst of James Capel looked at European car sales, reduced their forecasts and said that share prices had held up "amazingly" well this year, concluding: "The automotive sector has only underperformed the JC European index by 2 per cent in the year to date, and we predict a major downward correction in share prices late this year."

MADRID closed a week of nervous, then muted reaction to the Socialist election victory with a fall of 1.3 per cent, the general index closing 0.36 higher on the day at 257.81. In London, Ms Anna Mac-

Donald and Mr Victor Galliano of Baring Securities said that it was time to sell the Spanish market. It has been a good performer so far this year, but the Socialist win made aggressively lower interest rates and widespread privatisation less likely. "Investors looking to buy for a recovery," they said, "will do better elsewhere."

AMSTERDAM featured a 5 per cent gain in Hoogovens, partly on hopes for a recovery in the sector, and partly on a stronger aluminium price. The shares gained FL 1.50 to FL 32.10 as the CBS Tendency index lost 0.2 to 107.1, a week's rise of 2.3 per cent.

ING, which disappointed the market on Thursday with flat first quarter figures, recovered 70 cents to FL 63.60.

VIENNA rose 2.7 per cent, the ATX index closing 12.43, or 1.5 per cent up on the day at

## ASIA PACIFIC

## Malaysia reaches a new record high

## Tokyo

BUYING prompted by hopes of an imminent cut in the official discount rate countered heavy arbitrage-linked selling, and the Nikkei average posted marginal gains towards the close, rising for the first time in five trading days, writes Emiko Terazono in Tokyo.

After a volatile morning session due to the fixing of the settlement price for June options and futures contracts, the Nikkei rose 7.63 to 20,500.95, 1.8 per cent lower on the week. The index rose to a day's high of 20,780.05 early afternoon and hit the day's low of 20,451.55 in the last half hour of trading.

Volume totaled 650m shares against 277m, with an estimated 300m shares linked to futures and options settlements in the first hour of trading. Winners led losers by 580 to 408 with 189 unchanged. The Topix index of all first section stocks rallied 8.78 to 1,861.04 and, in London, the ISE/Nikkei 50 index rose 1.04 to

1,249.87.

The Bank of Japan's Tankan, the quarterly survey of business sentiment released yesterday, indicated that confidence among corporations was unchanged from three months earlier. The bond market ended higher, as renewed hopes of a cut in the official discount rate emerged.

Public pension funds and insurers were seen buying large-capital issues on hopes of lower interest rates. Kawasaki Heavy Industries rose ¥5 to ¥474 and Mitsubishi Heavy Industries gained ¥3 to ¥706.

Stainless steel makers were firmer on reports of an increase in stainless steel orders. Nippon Yakin rose ¥2 to ¥631 and Nippon Metal gained ¥4 to ¥520.

Banks were firmer on technical trading. Foreign fund managers, who are relatively underweight in banks, are also looking to increase holdings. Industrial Bank of Japan gained ¥30 to ¥3,630 and Bank of Tokyo gained ¥10 to ¥1,470. Car makers were lower on concerns of poor earnings. Nissan Motor lost ¥8 to ¥737 and Honda Motor declined ¥40 to ¥1,260.

In Osaka, the OSE average rose 79.54 to 23,088.45 in volume of 19.9m shares.

## Roundup

THERE was selective interest in the region yesterday. Karachi was closed for a religious holiday.

KUALA LUMPUR reached a new all time high in sentiment boosted by the visit of Mr Mahathir Mohamad, the Malaysian prime minister, to China, starting this Sunday which is expected to yield lucrative business deals for local companies.

The KLSSE index rose 8.78 to 746.29, 1.9 per cent higher on the week as volume rose from 485.2m shares to 635.9m.

BANGKOK extended its June recovery with the SET index climbing 9.13 to 863.14, 2.5 per cent higher on the week in turnover of B4.5m. Property developers rose strongly, with Bangkok Land up B5 to B81.50, Tanayong B12.50 to B81.50, and B12.50 to

Bt55.50 and Krida Mahana-hong B16 to B17.

HONG KONG saw light bargain hunting in this volume, and the Hang Seng index inched up 6.16 to 7,266.74, 1.5 per cent higher on the week, as turnover shrank from HK\$3.94bn to HK\$3.78bn. SINGAPORE'S Straits Times Industrial index fell on thin selling pressure, 11.80 to 1,883.05 and 1 per cent down on the week.

SEOUL faced profit-taking after a succession of 31-month highs. The composite index lost 4.91 to 788.48, still 1.1 per cent better on the week, as turnover dropped to Won 884.9bn.

AUSTRALIA celebrated a bullion recovery in Hong Kong, and the gold shares index closed 17.9 higher at 1,709.7, 8.4 per cent lower on the week, after an initial fall of more than 25 points.

The All Ordinaries index rose 1.8 to 1,714.3, down 1.5 per cent on the week. Pacific Dope rose 8 cents to AS4.63 on Thursday's news that it had won a US\$70m contract for optic fibre cables in China.

## BRITISH FUNDS

Notes	Price	Yield	Notes	Price	Yield
100% 100% 100%	100%	100%	100% 100% 100%	100%	100%
100% 100% 100%	100%	100%	100% 100% 100%	100%	100%
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100% 100% 100%	100%	100%	100% 100% 100%	100%	100%
100% 100% 100%	100%	100%	100% 100% 100%	100%	100%

## LONDON SHARE SERVICE

Notes	Price	Yield	Notes	Price	Yield
100% 100% 100%	100%	100%	100% 100% 100%	100%	100%
100% 100% 100%	100%	100%	100% 100% 100%	100%	100%
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## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

THURSDAY JUNE 10 1993											WEDNESDAY JUNE 9 1993										
INTERNATIONAL MARKETS											DOLLAR INDEX										
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on 10/6	Green Yld. %	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1988 High	1993 Low	Year ago (approx)					
Australia (68)	133.27	+1.0	130.04	98.47	113.22	131.01	+0.5	3.92	132.00	128.16	98.91	112.42	132.08	144.19	117.39	151.19					
Austria (18)	145.43	+0.2	141.90	97.83	123.55	123.49	+0.0	1.59	145.21	142.10	120.80	122.66	123.49	150.98	131.16	148.48					
Belgium (42)	143.47	+0.4	139.99	96.31	121.88	119.06	+0.4	4.81	142.93	139.08	118.11	122.67	123.49	151.19	131.16	148.48					
Canada (108)	127.43	+0.5	124.33	86.54	108.24	118.11	+0.4	2.85	126.78	124.05	85.37	107.94	112.58	129.97	114.11	127.69					
Denmark (33)	214.82	+0.0	208.40	144.08	182.23	182.53	+0.3	1.24	214.57	209.98	144.22	182.73	182.76	225.64	185.21	236.36					
Finland (23)	98.58	+2.1	87.38	60.12	76.08	103.94	+2.5	1.17	87.87	85.79	59.05	74.96	101.45	100.82	65.50	77.02					
France (67)	155.41	+0.1	151.83	104.32	132.01	133.96	-0.2	3.35	155.26	151.84	104.32	134.57	133.96	165.01	129.01	148.48					
Germany (62)	112.32	+0.2	108.60	75.41	85.42	85.42	+0.0	2.22	112.05	109.65	75.48	85.42	85.42	117.10	110.19	126.74					
Hong Kong (55)	295.73	-1.0	288.54	198.92	251.24	252.43	-1.0	3.21	298.62	292.24	201.13	254.32	256.30	301.01	218.82	244.90					
Italy (75)	163.67	+1.3	159.68	110.01	138.31	154.71	-0.1	3.49	163.85	160.35	110.36	139.63	154.90	170.49	129.28	156.86					
Japan (470)	153.48	+0.2	148.75	103.03	130.40	103.03	+0.1	0.81	153.17	149.88	103.03	130.40	103.03	172.00	129.01	148.48					
Malaysia (68)	344.74	+0.1	336.36	231.41	282.85	338.52	+0.6	1.35	344.54	337.17	232.04	282.80	339.06	346.83	251.86	237.09					
Mexico (19)	146.29	+0.7	142.77	91.65	124.24	124.24	+0.4	3.91	146.19	143.46	91.65	124.24	124.24	172.51	140.30	156.86					
Netherlands (24)	163.25	-0.1	164.16	112.65	142.93	140.88	-0.8	4.82	163.13	160.15	112.65	142.93	140.88	184.20	150.25	164.25					
New Zealand (13)	48.57	-0.5	47.39	32.61	41.26	47.99	-0.4	1.88	48.13	47.78	32.61	41.26	47.99	50.71	37.11	185.03					
Norway (22)	150.08	-0.2	147.32	101.36	128.25	128.25	-0.4	1.79	150.55	147.49	101.36	128.25	128.25	188.21	137.04	226.87					
Singapore (38)	259.54	-0.4	253.24	174.23	220.48	192.41	+1.1	2.56	259.29	254.87	174.23	220.48	192.41	281.01	144.72	241.98					
South Africa (50)	194.25	+1.0	188.59	127.65	161.52	161.52	+0.8	4.47	194.25	191.52	127.65	161.52	161.52	214.25	152.23	194.25					
Spain (46)	126.61	+0.1	125.49	86.34	109.26	122.18	+0.1	1.76	126.61	124.40	86.34	109.26	122.18	148.06	148.70	156.25					
Sweden (33)	127.37	+0.2	124.28	85.51	108.22	115.22	-0.2	1.88	127.37	124.40	85.51	108.22	115.22	150.25	108.01	148.48					
Switzerland (53)	159.78	+0.1	158.89	107.26	135.74	137.54	-0.1	2.29	161.03	157.81	107.26	135.74	137.54	181.89	142.00	194.06					
United Kingdom (219)	167.17	+0.0	167.17	108.20	136.33	140.25	-0.1	2.51	162.17	162.17	108.20	136.33	140.25	186.27	176.38	196.51					
USA (519)	167.42	+0.0	167.42	108.20	136.33	140.25	-0.1	2.59	167.38	167.38	108.20	136.33	140.25	186.27	176.38	196.51					
Australia (783)	145.47	+0.2	141.93	97.66	123.58	134.22	+0.3	3.37	145.21	142.10	97.66	123.58	134.22	168.28	133.92	155.95					
Canada (114)	165.11	+0.4	161.10	110.84	140.28	173.72	+0.2	1.36	164.40	160.88	110.84	140.28	173.72	171.77	142.13	180.46					
Denmark (173)	162.04	+0.1	158.05	105.27	133.15	120.26	-0.1	1.59	161.79	158.05	105.27	133.15	120.26	177.47	105.89	110.49					
France (141)	158.81	+0.2	154.38	100.23	125.15	120.26	-0.1	1.59	161.79	158.05	105.27	133.15	120.26	177.47	105.89	110.49					
Germany (175)	126.04	+0.2	123.05	79.86	115.99	177.57	-0.1	2.81	126.77	124.54	79.86	115.99	177.57	122.01	152.84	177.58					
Hong Kong (627)	178.32	-0.1	174.74	126.86	167.08	172.17	+0.2	2.26	178.69	174.85	126.86	167.08	172.17	182.74	117.21	164.07					
Italy (141)	126.04	+0.2	123.05	79.86	115.99	177.57	-0.1	2.81	126.77	124.54	79.86	115.99	177.57	122.01	152.84	177.58					
Japan (824)	126.04	+0.2	123.05	79.86	115.99	177.57	-0.1	2.81	126.77	124.54	79.86	115.99	177.57	122.01	152.84	177.58					
Norway (54)	126.04	+0.2	123.05	79.86	115.99	177.57	-0.1	2.81	126.77	124.54	79.86	115.99	177.57	122.01	152.84	177.58					
South Africa (249)	159.78	+0.1	158.89	107.26	135.74	137.54	-0.1	2.29	161.03	157.81	107.26	135.74	137.54	181.89	142.00	194.06					
Switzerland (121)	167.17	+0.1	167.17	108.20	136.33	140.25	-0.1	2.51	162.17	162.17	108.20	136.33	140.25	186.27	176.38	196.51					
United Kingdom (171)	167.17	+0.1	167.17	108.20	136.33	140.25	-0.1	2.51	162.17	162.17	108.20	136.33	140.25	186.27	176.38	196.51					
USA (212)	167.42	+0.0	167.42	108.20	136.33	140.25	-0.1	2.59	167.38	167.38	108.20	136.33	140.25	186.27	176.38	196.51					







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# FINANCIAL TIMES

Weekend June 12/June 13 1993

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## Major backs action of UN peacekeepers against Croat gunmen UK troops kill two in Bosnia

By Alison Smith in London and Reuters

PRIME minister John Major yesterday strongly backed British soldiers who fired on Croat gunmen in central Bosnia, saying he was prepared to send reinforcements if necessary.

He was speaking a few hours after British United Nations peacekeeping troops shot dead two Croatian soldiers who attacked a Muslim convoy near Vitez, the British base in central Bosnia.

He underlined the government's commitment not to take "any unacceptable risks with the lives of our troops in Bosnia", telling a Conservative party con-

ference in Wales that there was "increasing evidence of widespread deterioration on the ground".

The prime minister's office emphasised that Mr Major and other senior ministers were keeping a close watch on the situation and said there were contingency arrangements to protect the lives of the 2,400 British troops deployed to assist in providing humanitarian aid in Bosnia.

Mr Douglas Hurd, the foreign secretary, indicated that the incident would not lead to an early withdrawal of the British contingent of United Nations forces from Bosnia. "So long as the government believes that our troops can do a good job in saving lives

without undue risk, they will go on doing so," he said.

In Geneva the UN High Commissioner for Refugees (UNHCR) warned that intense fighting and roadblocks have virtually halted all humanitarian aid convoys in central Bosnia.

"We have basically reached a worst-case scenario with things degenerating," Mr Ron Redmond, UNHCR spokesman, said.

In Belgrade Lord Owen and Mr Thorvald Stoltenberg, mediators for the EC and the UN, announced that Mr Slobodan Milosevic, the Serb leader, President of the Federal Republic of Yugoslavia, and President Alija Izetbegovic of Bosnia had agreed to travel to Geneva for talks, probably next

Wednesday. "We have to look increasingly at the issue of Bosnia and Croatia and Serbia and that is why I think it is appropriate to have the three presidents talking to each other," Lord Owen said.

"It is apparent to everybody the savagery and degree to which this is becoming unfortunately a fight between the three constituent peoples."

Mr Major is under pressure from opposition MPs who have urged the withdrawal of British soldiers. MPs of all parties expressed dismay at the fast-deteriorating situation in Bosnia. Mr Paddy Ashdown, the Liberal Democrat leader, said the situation could not be controlled.

## Defence ministry probes ICL deal

By Tony Jackson

ICL, the Japanese-owned UK computer company, is under investigation by the Ministry of Defence for suspected irregularities involving two contracts totalling £1m.

MoD police on Thursday morning visited ICL's sales office at Slough and engineering offices at Stevenage and Basingstoke, all in south-east England, and took away documents relating to the contracts.

ICL said last night the contracts had been for "run-of-the-mill" work installing computers and cabling for the MoD. An MoD spokesman said last night "an investigation is taking place, but I cannot discuss it further until the outcome is known". Mr Richard Livesey-Hawthorn, an ICL executive director, said "we take the matter very seriously, and will do what we can to co-operate".

He was constrained from commenting further by official undertakings, but added "I would not be surprised if the MoD had been contacted by a disgruntled former employee, who might want to bring us into disrepute".

ICL has been the preferred supplier of mainframe computers to the MoD since the 1960s.

It is the prime contractor on a £250m office automation project for the MoD.

## US inflation figures ease fears of rise in interest rates

By Michael Prowse in Washington

FEDERAL Reserve might raise short-term interest rates in the US eased yesterday after the release of encouraging inflation figures.

The Labour Department said the producer price index was unchanged last month after increases of 0.4 per cent and 0.6 per cent in March and April. The annual rate of wholesale price inflation dropped to 2 per cent from 2.4 per cent in April.

Separately, the Commerce Department reported a 0.1 per cent rise in retail sales last month, which was smaller than expected.

Share and bond prices surged in early trading as analysts discounted the chance of an immediate tightening of monetary policy. The dollar weakened slightly against leading currencies.

Consumer prices for May, due on Tuesday, are also expected to show an ebbing in inflationary pressures. If so, the Fed seems certain to leave rates unchanged at 3 per cent for at least the next month. Many economists predict that inflationary pressures will remain moderate throughout the summer, in which case the Fed may take no action before September or October.

Speculation about a possible rise in rates grew intense last month after the third set of bad inflation figures since Christmas. The annualised rate of inflation for the first four months was more than 4 per cent compared with 3 per cent in 1992.

Concerns were exacerbated when press leaks indicated that Fed governors and regional presidents voted last month to shift from a neutral stance on interest rates to a bias towards raising them. Minutes of a previous meeting showed that two Fed governors were pressing for higher rates as long ago as March.

However, a shift to a bias towards raising rates does not necessarily imply an early tightening of policy. The Fed may simply have wanted to reassure financial markets that it was concerned about inflation until distortions which pushed up price figures earlier this year began to unwind.

Many economists have long argued that the monthly figures had to improve because the economic recovery was too weak to put sustained upward pressure on prices. Wage settlements are moderate and the unemployment rate, at 6.9 per cent, is well above the level that has previously led to higher inflation.

Currencies, Page 15  
US stocks, Page 23  
See Lex

## PM tells Tories to stop the squabbling

Continued from Page 1

lined again yesterday, with a renewed row over the prospects of billions of pounds in savings on the social security budget by the end of the century.

Mr Clarke, who this week emphasised his commitment to nurturing the recovery, will also use an important speech in the City to reaffirm the Treasury's

commitment to its 1 to 4 per cent inflation target.

Separately, Sir Norman Fowler, party chairman, said that he wanted to "draw a line" under his deeply personalised row this week with Mr Lamont. He told the Welsh conference the party "sticks by its principles... sticks by its leaders".

That emphasis on unity and loyalty was echoed by senior

ministers at the conference and elsewhere, including Mr Douglas Hurd. The foreign secretary urged Conservatives to reject the option of "flap and scrap, posture and panic" and to focus on the realities. The party could unite over Europe once the Maastricht treaty had been ratified, he said, and Conservatives could rally behind the European policy set out by Mr Major.

## Peerage for Bank governor

Continued from Page 1

executive of Halifax Building Society.

While this is the first list in which the British Empire Medal - previously the lowest grade of honour - does not appear, other reforms promised by Mr Major in March will have to await future lists.

The New Year's honours list will be the first for which people can write in to the prime minister's office to nominate someone. So far more than 10,000 nomination forms have been sent out and 6,000 have been returned. The proportion of awards to state servants was broadly in line with previous lists, though Downing Street said that now no official was nominated automatically.

Political honours, however, were distributed at Westminster rather more sparsely than usual. Mr Roger Freeman, transport minister, and Sir George Young, housing minister, both became privy counsellors, but only two Conservative backbenchers, Mr Ralph Howell and Mr David Knox, received knighthoods.

Among the customary awards to artists and entertainers are the other two life peers: Sir Richard Attenborough, the actor and film director, and Sir Yehudi Menuhin, the violinist and conductor. Miss Thora Hird, the actress, and Miss Muriel Spark, the author, both become Dames.

Mr Nicholas Colchester, deputy editor of the Economist and former foreign editor of the FT, receives an OBE for services to journalism.

In what may be a sign of the times, relatively few awards went to footballers and cricketers. Mr Andy Roxburgh, the Scottish football team manager receives the OBE. Mr Ray Wilkins, the former England soccer player, receives the MBE as does Mr Harold Larwood, a fast bowler who last played for England in the controversial 1932-33 "Bodyline" Ashes series against Australia.

## THE LEX COLUMN

## Banking on rights

FT-SE Index: 2861.8 (+1.8)

English China Clays

Share price relative to the FT-SE All-Share Index



Source: Datastream

The addition of Calgon undoubtedly makes strategic sense. It broadens ECC's product base while giving Calgon greater access to European markets. But an exit multiple of 24 represents a full price, even though ECC promises the deal will be earnings neutral in its first full year. Thereafter, it may prove tough work squeezing margins higher. Calgon only commands the weak third slot in the US market.

The demerger proposal also makes industrial sense but it is not clear that it will create additional shareholder value. Applying a market multiple to ECC's two divisions individually produces a value somewhat shy of its current share price. Moreover, ECC's markets remain dire with paper makers, in particular, bracing themselves for sharp declines in German demand.

The other niggle about Calgon is its financing. ECC's new shares, yielding more than 7 per cent, represent an expensive means of raising money. Borrowing dollars from the bank would have been cheaper, although this would have pushed up gearing from 24 per cent to 68 per cent. Lower debt will doubtless make life easier when the demerger proceeds. But shareholders may reflect on the last time ECC tapped them for cash in February 1992. Those who subscribed for new shares at 415p had seen them rise by just 1p by Thursday's close.

## US economy

Yesterday's US unchanged producer prices index was greeted by some like the relief of Mafeking. The worsening inflation picture had increased speculation that the Federal Reserve was

about to raise interest rates. Yet the much-improved figures also hinted at more good news to come. A spike in food prices has yet to be unwound and tobacco prices actually rose during May, against the trend of the cigarette brand wars. The immediate threat of higher rates has thus receded.

Nevertheless, increased interest rates later in the year are still a possibility, with hints from the Fed suggesting that consumer price inflation remains too high. The Fed chairman, Mr Alan Greenspan, is due to give his regular testimony to Congress next month. If he lays less emphasis on the health of the financial system and more on inflation, that will probably mark an ending of the Fed's easy money policy.

An autumn interest rate increase would, however, coincide with the impact of President Clinton's budget package. That will probably prove quite deflationary, and the risk is that both fiscal and monetary policy will be tightened simultaneously. Growth may thus slow in 1994. While inflation is not low enough to please the Fed, tough conditions may prevent companies widening margins. That will make the strong earnings increases which Wall Street currently expects harder to achieve. Equities are still vulnerable.

## The Telegraph

Minority shareholders in The Telegraph may still be smarting over the handling of the company's investment in Southam but they should have less complaint with Mr Conrad Black's diversification into Australia. Following the Australian government's loosening of restrictions on foreign ownership, The Telegraph has spent £23m increasing its stake in the John Fairfax group of newspapers from 15.5 per cent to 18 per cent with an option to buy some more.

Having been laid low by poor management in the 1980s, Fairfax has staged a spirited recovery under new ownership. Its shares have climbed to A\$2.31 from A\$1.28 since their flotation in April 1992 as the group's profitability has revived. At the time of The Telegraph's own flotation, investors grumbled about the low dividend yield given the maturity of the business and its declining customer base. Yet the Fairfax investment may reveal there is greater growth potential than had previously been assumed. Mr Black's idiosyncratic management style can have its bonuses too.

**FT WORLD WEATHER**

**Europe today**

In western Europe, it will be quite unstable with at least a few showers and little or no sunshine. Low pressure will move from eastern England towards The Netherlands. Behind the low, there will be a mixture of sunshine and showers with increasing northerly breezes. In Scotland, north easterly breezes will bring drier and cooler air with abundant sunshine. However, in southern England, northern France and Belgium brisk westerly breezes will produce cool and rainy conditions. Further south, there will be some sunshine, but many showers will develop in France and northern Spain. Ahead of the low, Germany will have some sunny periods and just the odd shower. More showers will fall in Denmark, Poland, Hungary and northern Italy. The tropical heat and scattered thunder showers which have been over central Europe will move across the Balkans towards Russia.

**Five-day forecast**

On Sunday, clearing skies will move from the Atlantic into the UK and France. Strong northerlies will arrive from the North Sea, bringing cooler air and some showers into the Low Countries, northern France and Germany. Early next week, the cool air will invade eastern Europe.

**TODAY'S TEMPERATURES**

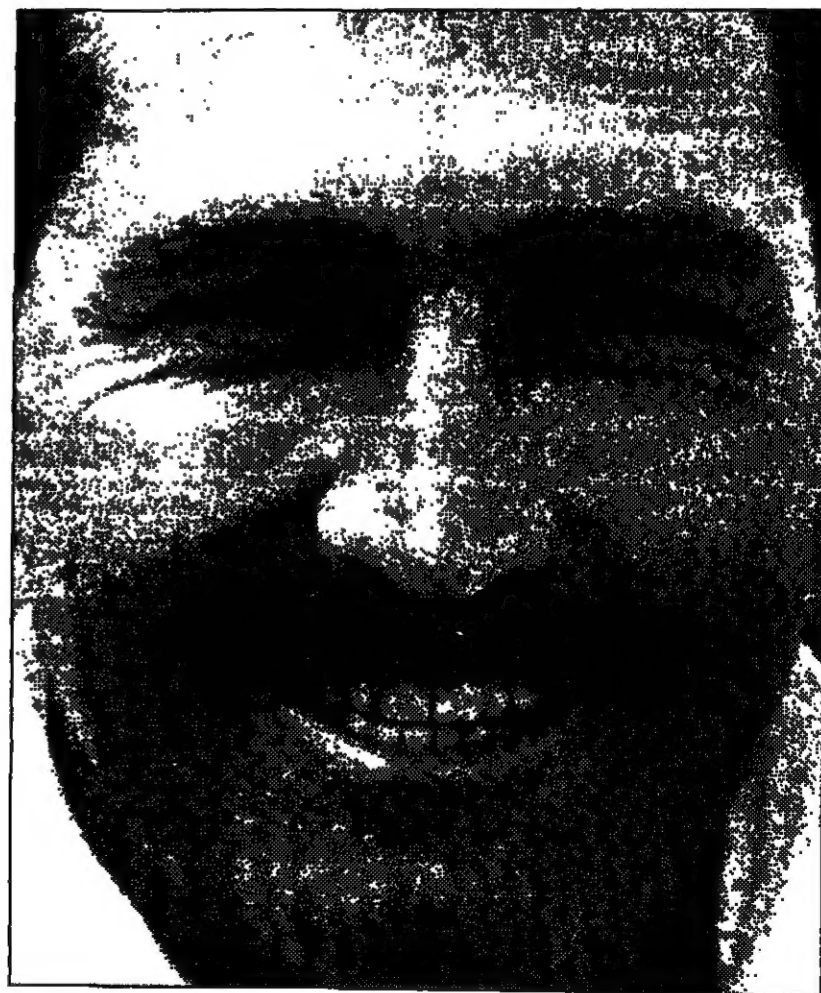
Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	sun 42	Birmingham	show 17	Chicago	fair 23
Aqaba	cloudy 29	Bogota	show 17	Cologne	show 18
Algiers	fair 28	Bombay	show 26	Copenhagen	thund 20
Amsterdam	show 17	Bordeaux	fair 19	Dakar	sun 28
Athens	sun 33	Brussels	rain 18	Dallas	fair 34
Bangkok	thund 35	Buenos Aires	fair 27	Delhi	sun 44
Batavia	sun 33	Cairo	sun 35	Dubai	sun 41
Beijing	hazy 29	Cape Town	show 17	Dublin	show 18
Bombay	rain 29	Caracas	show 30	Edinburgh	fair 15
Buenos Aires	sun 33				

**Forecasts by Meteo Consult of the Netherlands**

Location	Temp	Location	Temp	Location	Temp
Faro	sun 28	Majorca	sun 28	Rangoon	fair 33
Frankfurt	sun 21	Manila	thund 20	Saigon	sun 33
Geneva	show 17	Medan	thund 20	Singapore	thund 33
Glasgow	fair 20	Mexico City	thund 24	Sourabaya	thund 33
Hamburg	fair 21	Moscow	sun 29	Strasbourg	show 20
Helsinki	cloudy 18	Mumbai	sun 31	Sydney	windy 18
Hong Kong	thund 28	Nairobi	sun 29	Taipei	sun 30
Honolulu	fair 24	Paris	sun 24	Tokyo	fair 24
Ile of Man	show 19	Perth	sun 22	Toronto	sun 24
Istanbul	sun 29	Prague	sun 22	Vancouver	sun 18
Jakarta	rain 16	Rangoon	sun 28	Vladivostok	thund 21
Kuala Lumpur	sun 31	San Francisco	sun 25	Warsaw	thund 25
Khartoum	sun 38	Seattle	sun 25	Washington	fair 28
Kobe	sun 24	Shanghai	sun 25	Wellington	windy 18
La Paz	sun 23	Singapore	thund 33	Zurich	fair 18
London	show 18	Sourabaya	thund 33		
Los Angeles	sun 28	Strasbourg	show 20		
Luxembourg	show 16	Sydney	windy 18		
Madrid	fair 21	Taipei	sun 30		
Manila	thund 20	Tokyo	fair 24		
Mexico City	thund 24	Toronto	sun 24		
Moscow	sun 29	Vancouver	sun 18		
Mumbai	sun 31	Vladivostok	thund 21		
Nairobi	sun 29	Warsaw	thund 25		
Paris	sun 24	Washington	fair 28		
Perth	sun 22	Wellington	windy 18		
Prague	sun 22	Zurich	fair 18		
Rangoon	sun 28				
San Francisco	sun 25				
Seattle	sun 25				
Shanghai	sun 25				
Singapore	thund 33				
Sourabaya	thund 33				
Strasbourg	show 20				
Sydney	windy 18				
Taipei	sun 30				
Tokyo	fair 24				
Toronto	sun 24				
Vancouver	sun 18				
Vladivostok	thund 21				
Warsaw	thund 25				
Washington	fair 28				
Wellington	windy 18				
Zurich	fair 18				

**Lufthansa**

## TRIED & TESTED



BEST PERFORMER

**WHITTINGDALE**  
GILT-EDGED EXPERTS

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